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TRADE AND SERVICES

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INTERNATIONAL ECONOMIC RELATIONS

EVOLUTION OF THE ENTERPRISE IN CEMA COUNTRIES

Moscow VOPROSY EKONOMIKI in Russian No 10, Oct 79 pp 90-98

[Article by R. Yevstigneyev: "Evolution of an Enterprise: Experience of the European CEMA Countries"]

[Text] Changes in the status and character of the activities of an enterprise in the European CEMA countries started in the late 1950's and early 1960's. The strengthening of economic methods of management launched in those years required expanded financial autonomy of the enterprises. But because most of the enterprises functioning at that time did not possess an adequate material and financial base, cadres, and so on to take real advantage of the rights given to them and adequately meet the national economy's need for their products, they had to be consolidated. It was impossible to force this process, because it was not yet backed up by actual concentration of production. As an intermediate form, therefore, associations of enterprises came into being.

The association represented an administrative link of management midway between enterprises and sector ministries. The activities of associations at that time clearly reflected the organizational-administrative aspect, although there was also a constant striving to convert them to economic organizations. But it was no simple matter to realize this striving, primarily because of the lack of close production-technological ties within the associations. Intra-association specialization was just beginning to take shape. In addition, the central organs continued to manage operations by and large in the old way, and the enterprises themselves frequently preferred the familiar, customary methods.

The functioning of the associations placed on the agenda a number of new theoretical and practical questions, one of which concerned levels of autonomous financing. In discussions of the completeness of autonomous financing at various levels of economic administration we share the view of the Bulgarian economist B. Ilev, who believes that only one link can be converted to full autonomous financing. Other links can also be on autonomous financing, but it will be incomplete--that is, some of its elements must be lacking. On the basis of Bulgarian practice, the author writes: "The

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national economy cannot have too many main financially autonomous links. Experience shows that only one link should be the main financially autonomous link; at the present level of development of productive forces, this link should be the GKHO₁ [State Economic Association] rather than the individual enterprise."¹

Conversion of associations to main financially autonomous links, as evidenced by the experience of the CEMA countries, cannot be successful without an adequate degree of integration of the enterprises that make up the association. Accelerated arrangement of intra-production ties--horizontal and vertical--within the framework of the association, giving impetus to increased actual concentration of production, prepared the way for the formation of the modern large-scale enterprise.

Acknowledging the mobility of boundaries between the enterprise and the association ("the enterprise," writes O. Latsis, in particular, "rises ever higher on the ladder of socialization of labor, while the production association, not having as yet become a new integrated enterprise, emerges as an advance detachment..."²), we must at the same time note that this is not an unlimited process--it ends with the conversion of the association "to an enterprise, but of a qualitatively new form."³

The CPSU CC and USSR Council of Ministers July 1979 decree "Improving the Planning and Strengthening the Influence of the Economic Mechanism on Improved Production Effectiveness and Work Quality" call for "completing in the next two or three years the formation of production associations to serve as the main financially autonomous link in industry; systematically implementing measures to specialize and pool production and centralize auxiliary and subsidiary services as well as administrative functions of associated enterprises and organizations."⁴

Let us trace the development of this form of enterprise, which is most responsive to modern requirements, in the individual countries in the past few years.

In the GDR, the form it takes is the combine. The first combines were formed in 1968--that is, 10 years after the creation of the first ONP's [Association of People's Enterprises]. About 40 of the largest combines were directly subordinate to the industrial ministries, while the rest (most of them) were subordinate to the PNP's. Ten years later, in late 1977 and early 1978, combines began to be created instead of many ONP's, also by regrouping enterprises, frequently regardless of their departmental affiliation. Combines, most of which are now of ministry subordination, have actually become the main link of management, encompassing the production of almost all industrial output.⁵

The main purpose of the first combines was to arrange and strengthen the production-technological ties of the enterprises making them up. The new combines are now large production complexes (some of them comprise up to 80

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enterprises) capable of meeting the national economy's need for their products. This has become possible because today's combines encompass the full reproduction cycle, from scientific-research work to the marketing of the finished products, including on foreign markets (special attention is focused on foreign trade enterprises within the combines). "What we chiefly need," noted Politburo member and SED CC Secretary G. Mittag in one of his articles, "is high-quality export goods to earn revenue and cover imports. We also need more high-quality goods for the domestic market to meet demand. This also involves resolving the problem relating to the production and supply of spare parts and what is known as 'the thousand items'."⁶

The rise in the actual concentration of production within the combines has brought about changes in the structure of administration and the organization of production in them. In particular, combine directors now have the right "to centralize scientific research and applications, capital investments, material supplies, accounting and statistics, the resolution of legal questions, and cadre training, including the training of the mass professions."⁷ Meanwhile, the juridical and economic autonomy of enterprises making up combines (the right to have their own bank accounts, to conclude economic contracts in their name, and so on), as a rule, is retained, nor are they relieved of material responsibility for their activities. The extent of enterprise autonomy within the combine is determined by the combine management.

As in the GDR, in the CSSR the first reorganization of industrial management took place in 1958. There they also abolished the sector main administrations of the ministries and in their place created 383 production-economic units (PKhYe). As a result of consolidation of these units (1965), their number was reduced to 90, of which 73 represented trusts and 17 were what are known as subsector enterprises including plants stripped of the rights of a legal entity and converted to internal autonomous financing. In 1974 the government passed regulations governing the concern--the third form of PKhYe. "The concern is an intermediate form closer to the sector enterprise than the trust."⁸ Enterprises making up a concern (as in the case of the German combine) can, by decision of the general board of directors, retain or lose their juridical and economic autonomy.

The predominant form of the PKhYe now is the trust, but in accordance with documents of the 15th Czechoslovak CP Congress (1976), which established that the subsector enterprise and the concern are best suited to the new conditions, the proportion of trusts began to decline. An integrated effectiveness and quality control experiment launched in February 1978, the results of which are being taken account of in the course of mapping out the main directions for perfecting the system of planned economic administration after 1980, is oriented primarily toward the concerns and subsector enterprises, which are to become the main link in the economy.

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Czechoslovak materials on the integrated experiment emphasize the necessity of moving to the forefront the autonomous financial responsibility of these production-economic units for their performance. At the same time, these materials note that the redistribution of income within the PKhYe must not conceal differences between enterprises performing well or poorly.

As in the case of the GDR and the CSSR, in 1958 in Poland there appeared industrial associations based on main administrations that were thought of as financially autonomous but, in essence, were mere administrative organs of management. Among a number of measures carried out in recent years to convert the associations to genuinely autonomous organizations, a prominent role has been played by the economic reform of 1965 and the Council of Ministers December 1966 decree, designed to expand the reform, concerning principles governing the organization and functioning of industrial associations. "The main thrust of the 1965 reform in the field of administration," wrote the well known Polish economist B. Glinski, "is the increased economic role of the association as a whole--that is, not just the central apparatus but the entire association as an aggregate economic organism including both enterprises and a scientific-research base and economic services. For this reason, integration will continue to be the central issue of reform." Until recently, however, this process has not gone beyond individual experimentation.

A landmark in the development of this process was the year 1973, when industry began to adopt a new financial-economic system, one important element of which was the creation of what are known as large-scale economic organizations (KKhO). The new system is sometimes even called the KKhO system. A distinguishing feature of the KKhO is its full financial autonomy, its conversion to a genuinely economic organization--a new type of socialist enterprise.

Financial autonomy relations within the KKhO are structured at the discretion of the board of directors, but there is an overall tendency toward centralized management. Only in a few KKhO's (for example, those producing a large assortment of goods) has it been deemed necessary to grant the enterprises relatively broad autonomy in order to better meet social needs. Such KKhO's are called associations (or groupings) of enterprises in contrast to more integrated KKhO's, which are called industrial associations (their similarity to Soviet industrial associations here is only terminological) or concerns. In addition to these two forms of associations, KKhO's also include combines (multi-planned enterprises) having a high degree of internal enterprise integration.

There are several forms of these basic forms of KKhO. Recent research by Polish scientists has shown that "there is no direct relation between the degree of economic (financial) autonomy of enterprises and the organizational type of KKhO. In some of the associations of the grouping type that were studied, the degree of centralization of administrative functions and resources is no less than in associations of the concern type." At

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present, Poland faces the task of defining KKhO forms more precisely and strengthening the legal regulation of enterprise activities.¹¹

While retaining the same tendencies of enterprise development shared by all other CEMA countries, in Bulgaria this process was characterized by a certain peculiarity. First of all, in contrast to the GDR, the CSSR, and Poland, it began when the territorial principle of administration was in effect (1958-1963) and was expressed in the merger of similar enterprises. The enterprise, including the consolidated enterprise, at that time represented the main link in the national economy. It remained such even when the first state economic associations came into being in 1964 to perform primarily coordinating functions with respect to juridically and economically autonomous enterprises. This situation continued until the end of 1970.

Starting in 1971 the main national economy link was called the state economic organization. At the 10th Bulgarian CP Congress held in April of that year the task of creating such organizations was set forth with utmost clarity: They were to encompass the cycle of reproduction of a given basic end product, starting with research and experimentation and ending with the completed product. For this purpose, all subunits of these organizations--from the combine down to the small-scale enterprise--were converted to internal autonomous financing. Experience demonstrated, however, that this measure was somewhat premature: Not yet associated by strong production-technological ties, organization enterprises felt cramped within the framework of internal autonomous financing. For this reason, the largest among them has to be granted greater operational-economic autonomy though nowhere, to be sure, up to the level of full financial autonomy. Thus, already by the mid-1970's the prototype of the present large-scale enterprise came to be created in Bulgaria's industry.

The concept of extending processes of production concentration beyond the bounds of the state economic organization led to the creation of what are known as national economic complexes constituting the "main structural links" and changed the approach to the enterprise that had prevailed until then. Since 1974, the ministry in Bulgaria has come to be viewed (and this is unique to the experience of the European CEMA countries) "not only as an administrative but also a state-economic organ of management of a particular system." In May 1976, accordingly, a Statute was passed stipulating that "structural subunits of complexes (economic organizations, production subunits, links, and so on) are to operate on internal financial autonomy. they are to carry out their activities within the bounds of operational autonomy set for them by the higher body."¹²

It soon became apparent, however, that the economic organizations of the complexes had not yet exhausted their possibilities from the standpoint of developing processes of production concentration and specialization. It was necessary to again expand their economic rights in order to carry out these functions, as stipulated in June 1978 by a special decree of the Bulgarian CP CC and the Bulgarian Council of Ministers. The decree expanded the rights

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and duties of the economic organizations and confirmed their status. The economic organizations again became virtually the main link in the national economy. Characteristically, the decree singled out the combines among all forms of economic organizations, calling upon "the ministries and other departments...to take measures to strengthen and further develop the economic combines as the most successful form of direct organization and administration of production under conditions of deepening item-technology specialization and concentration on an economy-wide scale."¹³

Of great importance in the development of production specialization and concentration in Bulgaria is what is known as the multiplicative approach. Its essence is that the effect obtained originally in one sphere should be utilized again and again in all other spheres where it applies. This approach ensures item, assembly, component, and technological specialization on an economy-wide scale regardless of the departmental affiliation of individual production units.

As Bulgarian CP CC Planned Economy Division Deputy Manager A. Veselinov notes, multiplicative applications create "whole chains (echelons) of specialized enterprises producing similar and homogenous products. For example, three echelons of specialized enterprises are being formed in machine building. The first echelon consists of specialized plants turning out intermediate products (castings, forgings, stamps, and so on) for the whole machine building industry. Instead of 250 plants producing these components, production is concentrated in about 30 plants. The second echelon consists of specialized plants producing components and machine assemblies to be used by the whole machine building industry. The third echelon consists of specialized assembly plants which also perform certain other operations (adjustment, control, finishing work, and packing)."¹⁴

Romania began to create associations after the 1967 Romanian CP National Conference and especially after the 1971 passage of a law governing the organization and management of state socialist organizations. As in the other countries, the association originally carried out primarily administrative functions, while the main link of the national economy, according to the law, was the enterprise. Production concentration, specialization, and pooling, gradually formed within the association framework. The associations were consolidated in 1973, after the State Council's decree establishing unified structural norms for economic organizations.

"By 1975," writes Ye. Iyudina, "three types of associations were formed in Romanian industry on the basis of the character of administration and the status of the enterprises making them up: 1) industrial administrations having a special administrative apparatus but with all enterprises in them granted economic autonomy--that is, enjoying full financial autonomy. Such associations are not widespread...; 2) combines, in which the administrative apparatus of the head enterprise is at the same time the administrative apparatus of the entire association; some of the enterprises making up such an association are on full financial autonomy while others are on internal financial autonomy; 3) groups of factories and plants: the administrative

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apparatus of one of the enterprises is the administrative of the association; all enterprises are on internal financial autonomy, and only the association as a whole is an autonomous economic unit. About 80 percent of all industrial associations in Romania are of the second and third type."¹⁵

Characteristically, the striving to force the creation of combines (by 1970 they constituted more than half of all industrial associations) without the corresponding production-technological preparation was judged to be unjustified: Many combines were dissolved, and by 1972 their proportion had declined to one-fifth. Only very recently have they resumed the course toward development of this type of association.

A peculiarity of Hungary was that because of production concentration that was already developing before the war and became strengthened in the early 1960's because of enterprise consolidation, industry there bypassed the association stage. For this reason, the organizational structure of industry that had developed on the eve of the introduction of the economic mechanism (from 1968) has been essentially retained to the present.

The status of the enterprise in Hungary was fixed in the government's decree concerning state enterprises dated 13 May 1967 and further ratified and developed by the law governing state enterprises published 27 December 1977.¹⁶ Both document designate enterprises as the main link in the national economy and assign to them enterprises of all sizes, including large-scale industrial enterprises (KPP's and trusts which in terms of their status are practically the same as the KPP's and are similar to the Czechoslovak trusts in name only, while in actuality they are related to the Czechoslovak and Polish concerns and German and Bulgarian combines. According to V. Golubeva, "10 years of experience have demonstrated the viability of the KPP's and trusts, which continue to constitute most of the Hungarian industrial enterprises."¹⁷

According to the original concept of reform, the trusts were subject to liquidation, because they were seen to be only an intermediate administrative link between the sector ministry and the enterprises. For this reason, even in a sector like metallurgy, where close integration of enterprises and centralized administration was well substantiated, the number of trusts noticeably declined, to say nothing of the other sectors. Instead of trusts, various kinds of contractual associations of enterprises were created. But this process was never brought to completion. Gradually the number of trusts began to rise again, and in the heavy, food, and woodworking industries they took the lead position.¹⁸ The 1977 law ratified their existence as a relatively effective structural link. An important characteristic of the trusts is that they themselves are on full financial autonomy, while the autonomy of the enterprises making them up is severely limited. Nevertheless, the enterprises constitute legal entities and enjoy the minimum rights necessary to their specific conditions. This affords the trusts considerable economic flexibility.

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In the non-European CEMA countries (Mongolia, Vietnam, and Cuba), the productive forces and corresponding economic mechanism have not yet reached the level of development at which it is worth while to raise the issue of a new type of enterprise. In all of these countries the main link in the national economy continues to be the traditional enterprise. In recent years associations have come into being as the middle link of administration in the organizational structure of Mongolia's and Vietnam's industry.

Thus, in all the European CEMA countries, despite the considerable variety of their specific experiences, enterprises of the new type have been coming into being in recent years. How do the new enterprises differ in principle from the traditional? In our opinion, they differ by two basic features. First of all, the large-scale economic organization encompasses the entire chain from scientific-research and experimental-design work to the marketing of products on domestic and foreign markets, with autonomous financing of these processes. Secondly, (and this is closely linked to the first), the production-economic complexes thus created gradually become active partners of the central organs in drawing up the national-economy plan and their own development plans. As business conditions become equalized and economic normatives accordingly averaged, the genuine possibility arises of making broader use of more flexible, indirect methods in the centralized administration of large-scale production-economic complexes. The synchronization of changes in organizational structures, planning, and economic incentive constitute one of the most vital tasks to be resolved by the CEMA countries.

All of the above makes it possible to affirm that in the European CEMA countries a modern enterprise--that is, one typical of the conditions of a developed socialist economy--is coming into being and getting established. In addition, the countries are more and more realizing the necessity of retaining and developing small-scale operations as well, playing a radically altered role under the new conditions: Although not merging with the large-scale enterprises, the smaller enterprises at the same time fall within the orbit of their activities and thus foster overall economic progress.

The following positive aspects of small-scale production are noted in the economic literature of the socialist countries. First of all, by specializing in the manufacture of various components and parts and cooperating in this regard with the large-scale enterprises, the smaller enterprises relieve them of the costs of building and operating facilities necessary for these purposes. The benefits from this cooperation are mutual: The smaller enterprises are guaranteed a stable market and gain access to scarce resources. World experience also attests to the involvement of smaller enterprises in the servicing of production, including current repairs and preventive equipment maintenance, building maintenance, and so on.

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Secondly, calculations carried out in a number of European CEMA countries show that smaller enterprises are frequently more dynamic than larger ones in the field of innovation and are capable of more quickly filling in gaps in the supply of goods and services and adopting new items or technologies in production. This quality of the smaller enterprises is of special importance at the present time, when both the domestic and foreign markets are placing high priority on product innovation and assortment, when demand is rising for specialty items turned out in small series. As the production of such items is mastered, it can then be transferred to the larger enterprise or the smaller enterprise itself can expand production.

Finally, according to foreign economists, a vital factor is the competition among smaller enterprises for the right to have ties with larger enterprises and to capture the domestic or foreign customer. This kind of competition nourishes the spirit of innovation, rapid adaptability to demand, and a willingness to take risks. According to the chief editor of the Hungarian journal GAZDASAG ("Economy") Gyorgy Vargi, competition in this sphere poses for society much less risk and fewer losses than the damage caused by the absence of small-scale enterprises.

On the basis of these considerations, in recent times the CEMA countries have focused much more attention on small scale enterprises. Consider Poland, for example. Polish writers point to the substantial reserves to be found in this sphere, especially in the nationalized sector. In their opinion, in particular, industrial cooperation and local industry enterprises continue to be called small-scale only out of habit: In 1977 1,611 industrial artels employed 811,344 persons--that is, 503 per artel; 28 local industry enterprises in Silesia and Warsaw employed 25,100 persons, an average of 900 per enterprise. In other words, we are talking about ordinary medium-sized enterprises whose functional system in no way differs from that of the key industrial sectors.²⁰ The April 1979 PZPR CC Plenum discussed the CC Politburo's report "Increasing the Role of the Nationalized Sector of Local Industry in Social-Economic Development." The plenum passed a resolution which recommended working out a long-range integrated program of development of local industry in order to maximally meet the needs of the Polish people.²¹

Paying more attention to the smaller enterprises by no means entails any diminution of the role of the larger ones. On the contrary, it is viewed only as a condition for the more effective operation of the large-scale economic organizations. Appeals that were widely heard in the late 1960's in the CSSR in favor of breaking up such organizations and creating an atmosphere of free competition were properly evaluated as reactionary and as ignoring the progressive role of modern large-scale production.

The dynamic and complex processes of transforming the traditional enterprise into an enterprise of the new type have had consequences beyond the fate of small-scale production. They have also fostered the

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development of several new, more flexible forms in the organizational structure of national economy administration.

One such form is the association of enterprises on a contract basis. In early 1978, for example, Hungary passed a ukase "Economic Associations," according to which enterprises can set up various kinds of contractual associations--the joint enterprise, the deposit association (with limited property liability of its members), or the association to coordinate the economic activities of its participants. With the consent of the appropriate organs, foreign legal entities can also take part in all of these associations.

Changes in the organizational structure of administration, changes which were until now considered only on the enterprise level, could hardly fail to affect the central administrative organs as well. The tendency to convert large-scale production-economic complexes into the main link of the economy irreversibly leads to conversion of the sector ministries into administrative organ headquarters relieved of the functions of routine operational intervention in the operation of the enterprises. It must be noted that this process is not a simple one: The difficulties that arise from time to time in national economy development, also long-standing habits in administrative techniques of management, hinder more vigorous development.

Nevertheless, the overall line of development is clearly discernible. There is a general decline in the number of ministries due to the merger of similar ones by profile. And this is due not only to the concentration of their activities on common problems of scientific-technical and economic policies in the sector but also to strengthening of the integrated intersector approach to planning and administration as a whole. Fuel and energy, for example, is now under the administration of a single ministry of energy and fuel (Bulgaria), heavy industry (Hungary), coal and energy (GDR), mining industry and power engineering (Poland), mining and petroleum industry and geology (Romania, which also has a Ministry of Power Engineering), and fuel and power engineering (CSSR). A single ministry also administers such complexes as metallurgy and machine building, agriculture and the food industry (in the GDR also the timber industry, and in Romania water management). To a lesser extent the integrated approach is also realized in the functional ministries and departments (for example, Hungary has a State Committee of Materials and Prices, Romania has a Ministry of Material-Technical Supply and Control of Utilization of Fixed Capital; the CSSR has a Ministry of Technical Development and Capital Investments).

It should be noted that none of the European CEMA countries have raised the question of sector ministry autonomous financing as sector autonomous financing. "On the ministry level, autonomous financing is not implemented in any form," writes GDR legal expert G. Pflick. ". . . Ministries

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are budget-financed organizations and enjoy the status of legal entities [pravosub'yektnost'].²² The Polish press emphasizes that sector ministries are neither "super concerns" nor "super KKhO's," but rather state departments whose task is to ensure full compliance with planning discipline in terms of national economy plan indicators on the parameters of the new system."²³

An exception is the above-mentioned Bulgarian national economic complex (NKhK), which embraces large sectors of the national economy and includes the economic organizations of one or several ministries (the NKHK is headed by some one ministry). The NKHK represents an organizational-economic unification of production and other types of activities of a number of sectors, enterprises, and organizations that are interrelated and designed to accomplish major national-economy goals. The NKHK's carry out their functions on the basis of autonomous financing. Organizations making up such complexes also operate on autonomous financing. The difference between the level of fullness of autonomous financing enjoyed by these two structural links derives from the NKHK's right to distribute a portion of the net income of its economic organizations, based on the necessity of accomplishing shared tasks and creating uniform economic conditions for the development of all its economic organizations. Let us recall that a decree was passed in 1978 which allowed some expansion of the rights of the economic organizations making up a NKHK.

Such are the most important directions in the evolution of the enterprise in the European CEMA countries. The collective experience of socialist management, including the development of organizational administrative structures, is a vital reserve in improving economic effectiveness.

FOOTNOTES

1. "Khozyaystvennyy raschet v sotsialisticheskoy ekonomike (iz opyta stran SEV)" [Autonomous Financing in the Socialist Economy (from the Experience of CEMA Countries)], edited by R. N. Yevstigneyev and V. V. Sitnin, Izdatel'stvo Mysl', 1976, p 149.
2. O. R. Latsis, "Ob'yedineniya v stranakh SEV: formy natsional'noy i mezhdunarodnoy kontsentratsii" [Associations in the CEMA Countries: Forms of National and International Concentration], Izdatel'stvo Nauka, 1978, pp 102-103.
3. G. V. Aristov, "Predpriyatiye v sisteme upravleniya promyshlennolst'yu yevropeyskikh stran SEV" [The Enterprise in the System of Industrial Management in the European CEMA Countries], Izdatel'stvo Nauka, 1975, pp 11-12.

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4. CPSU CC and USSR Council of Ministers decree of 12 July 1979 "Improving the Planning and Strengthening the Influence of the Economic Mechanism on Raising Production Effectiveness and Work Quality," Politizdat, 1979, p 45.
5. It is worth noting that until the statute on combines was drawn up their activities were regulated by the statute concerning enterprises and in force.
6. EINHEIT No 10, 1978, p 1002.
7. "Sovremennyy etap sovershenstvovaniya planovogo upravleniya ekonomikoy (po materialam s"yezdov kommunisticheskikh i rabochikh partiy)" [The Present Stage of Perfecting Planned Economic Administration (Based on Materials of Communist and Worker Party Congresses)], edited by R. A. Belousov and A. G. Kulikov, Izdatel'stvo Mysl', 1978, p 153.
8. V. N. Dan'shina, "Ekonomicheskoye razvitiye ChSSR" [Economic Development of the CSSR], Izdatel'stvo Nauka, 1977, p 150. "Sector Enterprise", is more accurately translated as "subsector enterprise" (oborovy podnik). "Sector" in Czech is odvetvi.
9. R. Glinski, "Teoriya i praktika upravleniya promyshlennymi predpriyatiyami" [Theory and Practice of Industrial Enterprise Administration], Izdatel'stvo Ekonomika, 1969, p 80.
10. "Studia nad systemem wielkich organizacuji gospodarczych (1973-1975)" Praca zbiorowa pod kierownictwem naukowym U. Wojciechowskiej, Warsaw, PWE, 1978, p 386.
11. GOSPODARKA PLANOWA No 11, 1978, p 544.
12. V. I. Shabunina, "Ekonomika Narodnoy Respubliki Bolgarii na etape stroitel'stva razvitogo sotsialisticheskogo obshchestva" [Economy of the People's Republic of Bulgaria at the Stage of Building a Developed Socialist Society], Izdatel'stvo Nauka, 1977, pp 46, 51.
13. DURZHAVEN VESTNIK No 51, 1978.
14. EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA No 8, 1979, pp 112-113.
15. "Problemy upravleniya v Sotsialisticheskoy Respublike Rumynii" [Problems of Administration in the Socialist Republic of Romania], edited by I. I. Orlik, a publication of the USSR Academy of Sciences Institute of Economics of the World Socialist System, Moscow, 1976,

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pp 50-51. The term "group" has nothing in common with the Polish term "grouping."

16. MAGYAR KOZLONY No 98, 27 December 1977, pp 1373-1379.
17. V. I. Golubeva, "Sistema planirovaniya i upravleniya narodnym khozyaystvom v Vengerskoy Narodnoy Respublike" [The System of Planning and Administration of the National Economy in the Hungarian People's Republic], Izdatel'stvo Nauka, 1978, p 93.
18. Sz. Jakubowic, "Ustawa o przedsiębiorstwach państwowych w Węgierskiej Republice Ludowej" (PRACA INSTYTUTU PLANOWANIA No 52, Warsaw, 1978, pp 7-9).
19. A precise distinction is made between self-recovery [samookupayemost'] and autonomous financing by V. Starodubrovskiy, who notes that the first underlies the second, but "self-recovery is possible even in the absence of autonomous financing--that is, it does not characterize a specific quality which embodies this method of allocating funds for expanded reproduction" ("Sovershenstvovaniye khozraschetnogo mekhanizma razvitiya proizvodstva" [Perfecting the Autonomous Financing Mechanism of Production Development] edited by V. G. Starodubrovskiy and R. A. Otsason, Izdatel'stvo Ekonomika, 1978, p 73).
20. ZYCIE GOSPODARCZE No 2, 14 Jan 79 p 4.
21. NOWE DROGI No 5, 1979, pp 19-21.
22. "Planirovaniye i upravleniye narodnym khozyaystvom v stranakh sotsializma na sovremennom etape (pravovyye aspekty)" [Planning and Management of the National Economy in the Socialist Countries at the Present Stage (Legal Aspects)], edited by V. V. Laptev and B. N. Topornin, Izdatel'stvo Progress, 1976, p 129.
23. ZYCIE GOSPODARCZE No 19, 18 May 1977.

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INTERNATIONAL ECONOMIC RELATIONS

FOOD PRODUCTION PROFILING OF THE CEMA COUNTRIES

Moscow VOPROSY EKONOMIKI in Russian No 10, Oct 79, pp 99-109

[Article by B. Frumkim: "Profiling the CEMA Countries in the Food Sphere"]

[Text] Long-range programs adopted by the 32nd and 33rd sessions of the CEMA on cooperation in the field of energy, fuel, and raw materials; agriculture and the food industry; machine building; and transport and consumer goods marked the beginning of a new stage of utilizing the advantages of socialism as a world system. As the Declaration of the Heads of Delegations of the Countries of the Commonwealth at the 32nd Council Session emphasizes, "The realization of long-range goal-directed programs of cooperation (DTsPS) will help to resolve the social-economic tasks set forth by the CEMA member countries in the building of socialism and communism, ensure steady development of the national economies of the CEMA member countries, further raise the standard of living of the population, equalize and bring closer together the levels of economic development of the fraternal countries, ensure broader industrial participation of the less developed members in measures of production specialization and cooperation, the incorporation of advanced scientific and technological developments, and on this basis an increase in exports of finished products. . ."¹ The DTsPS's map out a concerted strategy of CEMA cooperation to meet economically substantiated requirements in the most important types of goods, primarily through the maximum utilization of the resources of each country and the commonwealth as a whole, also by accelerating the development and raising the effectiveness of the economies of Cuba, Mongolia, and Vietnam.

All of this also applies to the long-range goal-directed program in the field of agriculture and the food industry--"DTsPS-food." The main purpose of the food program is to maximally promote the satisfaction of the rational needs of the population of the CEMA countries with respect to the basic types of food products, also to build up the necessary reserves to ensure a reliable and stable food supply. Accomplishment of this goal will be based primarily on the intensive development of production in

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each country, also on expanded and deepened international socialist division of labor and mutually beneficial economic and scientific-technical collaboration.

This approach to program formulation is determined by the present level of the commonwealth's food supplies and possibilities of increasing them on the basis of mobilizing existing resources. The level of consumption of basic food products in the CEMA countries is relatively high, the calorie intake is 25 to 35 percent higher than the indicator calculated by the FAO for the world as a whole. Still too low in the nutrition structure, however, is the proportion of animal proteins (10 to 30 percent), vegetables and fruit (30 to 50 percent), and vegetable oil (10 to 20 percent). Levels of consumption of the most valuable and nutritional products differ considerably from country to country.² Scientifically substantiated consumption norms (figured per capita), at least in the European CEMA countries, come close for some products although they do not coincide fully.³ This defines the commonality of the tasks necessary to accomplish them.

The CEMA countries possess the natural resources to resolve these tasks: Land and water suitable for conducting agriculture and catching and breeding fish and other aquatic products. Their agricultural land areas total almost 751 million hectares.

The warmth and moisture supplies of the lands make it possible, with appropriate agrotechnical measures, to produce high yields of wheat, rye, barley, potatoes, sugar beets, and vegetable and feed crops in the USSR and the northern group of the European CEMA countries (the GDR, Poland, and the CSSR) and in addition corn, fruit, grapes, tobacco, oil crops, and under irrigation also rice and soy in the southern group (Bulgaria, Hungary, and Romania) and the southern areas of the USSR. These countries also possess conditions for the effective development of various livestock sectors.

Mongolia's natural and climatic conditions make it possible to cultivate feed and grain crops and to develop sheep and cattle raising. Vietnam and Cuba can produce up to three crops per year of rice, corn, and root crops and successfully raise sugarcane, coffee, tea, peanuts, tropical fruit, and so on. The CEMA countries have large reserves for fresh water fishing and fish breeding, expanded offshore fishing, and extension of the latter to open areas of the ocean and to greater depths and non-traditional objects (krill, algae), and for the development of aquaculture and mariculture.⁴

The commonwealth's countries are making intensive use of their natural resources. According to P. Jurasek (CSSR), the gross output per hectare of farmlands in these countries is about 15 percent higher than the world average.⁵ These efforts could be made even more intensive by industrializing agriculture, organizing commercial fish breeding, and making fuller

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use of biological and genetic factors as well as existing reclamation, livestock, and other structures and facilities, and means of mechanization and chemicalization already available to agriculture.⁶ An important reserve for boosting food production is to reduce losses in farm crop harvesting, livestock slaughter, fishing operations, and in storage, transport, and processing.

In drawing up the goal-directed food program, the consistent line taken has been to carry out the appropriate measures primarily by means of each country's own resources and manpower and at the same time take account of the necessity of joining forces in order to resolve the tasks shared by all the countries.

The most important directions of cooperation within "DTsPS-food" are these: To promote the intensive production of grain and livestock products (primarily on the country's own feed base) and other basic food products (eggs, vegetable oil, and fresh water fish) in each CEMA country; to expand the production and mutual deliveries of a number of types of agricultural goods in the food industry (sugar, fruits and vegetables, including citrus, grapes and potatoes in fresh and processed form, and cotton) on the basis of effective utilization of the favorable natural and climatic conditions of the commonwealth countries; and to make effective joint use of the biological resources of the World Ocean. Realization of the DTsPS calls for comprehensive help to develop and raise the effectiveness of agriculture and the food industry in Cuba, Mongolia, and Vietnam.

The program, therefore, is objectively oriented toward eliminating the present discrepancy between the striving of each country to supply its own basic food needs primarily on the basis of its own production, and the necessity of making the most effective use of the natural-climatic and economic conditions possessed by the commonwealth as a whole for the production of food. For the first time in the history of the CEMA, "DTsPS-food" makes possible concerted, systematic formation of the countries' production-export profiles in the agroindustrial sphere. Such a profiling can embrace the entire agroindustrial complex and the individual sectors or groups of them that make it up. In Yu. Kormnov's definition, this is "a stable long-range orientation in the development of closely interrelated production operations whose products are firmly acknowledged by importers on foreign markets, or for which all reliable prerequisites have been created. . . . A production-export profile is made up of groups of products produced by a merger of closely interrelated domestic production facilities of approximately the same technical and quality levels.⁸

The formation of such a profile in the agroindustrial complex is a much more complicated and lengthy process than in a number of other complexes

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and sectors of production because it is so closely tied to agriculture and fishing operations, which depend on objective and stable natural-climatic conditions and geographic position, but because of the same factors it is more integrated and stable. The prerequisites necessary for production-export profiling in the food sphere are long-term foreign-trade specialization of the countries and the development of effective subcomplexes within their agroindustrial complexes to produce particular types of food on the basis of favorable natural conditions and the wide adoption of industrial systems in agriculture, and in the case of the food industry--progressive low-waste and waste-free technologies.

Collaboration in organizing this profiling will make it possible for the countries, first of all, to focus their efforts on developing the production of a relatively limited range of products selected on the basis of existing natural conditions, production traditions, and appropriate modern technologies and, secondly, to ensure balanced progress of all sectors of the agroindustrial complex defining this production. In essence, it is a matter of creating within the agroindustrial complex framework stable, effective subcomplexes, a base subcomplex designed primarily to meet domestic needs, and auxiliary subcomplexes for exports. They will encompass all the basic stages of the cycle turning out the finished product. It will become possible for most of the countries to conduct broad cooperation in the development of the sectors of their base subcomplexes, while the specializing countries can, through collaboration, secure a high scientific-technical level and profitability of production in export sectors.

Cooperative measures relating to production-export profiling, which as a rule involve questions of the scientific-technical, financial, and material support of the production of specific types of goods and increased exports of them to the CEMA market, comprise subprograms of "DTsPS-food" with regard to feeds, meat and meat products, sugar, fruits, vegetables, and so on. The program includes 62 cooperative measures.

By 1990, plans call for increasing the CEMA countries' production of meat and meat products by an average of 90 percent, fish and fish products by 110 percent, animal oil by 60 percent, vegetable oil by 50 percent, canned fruits and vegetables by 105 percent, sugar by 40 to 50 percent, and grape wine by 60 percent. Cooperation within the framework of the subprograms of the food DTsPS will largely facilitate the accomplishment of these goals.

The basis for increasing the production and ensuring the rational consumption of meat, dairy products, and eggs is the development of livestock farming, including an expanded feed base incorporating grain production. In order to fully meet the livestock needs of the CEMA countries it will be necessary to produce at least 100 million tons of

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full value feed mixes per year--that is, about double. This in turn requires the cultivation and widespread introduction of high-yield feed and grain fodder crops of high protein and amino acid content, the development of the technology and equipment for field feed production, the production of feeds on the basis of meat, dairy, and fishing industry wastes, and increased production of biochemical additives to feeds on a scale necessary to meet the livestock farming needs of the commonwealth's countries. The resolution of these tasks will be considerably facilitated by measures stipulated in DTsPS-food to deepen international specialization in selective breeding and seed raising and expand mutual deliveries of seeds of high-yield intensive varieties and hybrids of grain and feed crops, and by broad cooperation in the use of industrial technologies of cultivating corn for grain and silage, the production of protein from green vegetable biomass, and so on.¹⁰ The DTsPS in the sphere of raw materials, fuel, and energy also calls for measures to increase the production of protein-vitamin additives to feeds.¹¹

In increasing the output of meat and dairy products, an important factor will be the food program's provision for cooperation in the use of farm animal and poultry gene stocks and the improvement of techniques and equipment in the meat industry. All of this will serve to intensify the base subcomplex for feeds, grains, and livestock products in each of the countries and will facilitate the production-export profiling of Mongolia thanks to aid in developing the virgin lands and creating new state farms in the northern part of the Gobi Zone and the Khalkhin-Gola area to build up feed stocks and increase export resources of feeds and meat.

Implementation of DTsPS-food will make it possible to strengthen sugar beet production within the framework of the base subcomplexes of the European CEMA countries by cooperation in selective breeding and seed raising and improved technologies of cultivating and processing sugar beets. This will make it possible to reduce losses in storage and processing of the beets and turn out an additional one million tons of sugar per year in the CEMA countries. Promoting integrated development of the production and processing of sugarcane in Cuba will make it possible for the European CEMA countries to increase sugar deliveries to nine million tons by 1990 and strengthen Cuba's sugar export profile.

In addition to joint efforts in selective breeding, seed raising, and export production of seeds and planting stock of fruit and vegetable crops that are widespread in the CEMA countries, cooperation in the production of fruits, grapes, and vegetables will also include promotion of the production-export profiling of Bulgaria, Vietnam, Romania, and Cuba. Plans call for organizing contractual international specialization of the European CEMA countries in the production of temperate-zone fruits and vegetables (tomatoes, peaches, table grapes, and so on) in fresh and processed form, also wine products. Participation of the European members in the integrated development of the production and processing of

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citrus fruits in Cuba will make it possible for them to increase imports of these fruits to 2.4 million tons per year by 1990 and for Cuba to acquire a stable export profile and an additional source of feeds (citrus pulp) for the base subcomplex of the agroindustrial complex. The program also deals with problems of international specialization in the production of potatoes and potato products.

The program's provision for cooperation in the development of fresh water fishing will strengthen this vital component of the base subcomplex in each member country. Improving the technology and equipment of commercial fresh water fish breeding will make it possible to increase fish production from 250,000 to 900,000 tons per year in the member countries' pond fisheries alone. In addition, plans call for joint efforts to create a future additional source of food protein based on the recovery and processing of Antarctic krill.

The subprograms of DTsPS-food call for measures to process food industry by-products and wastes and to produce new types of food protein. Improving the technology of oil seed processing alone will make it possible to produce an additional one million tons of high-quality edible protein meal per year.

Thus, the food program calls for cooperation in the development of the base food subcomplex in all the member countries and for forming export subcomplexes in countries having conditions favorable to this. In effect, utilization of the ocean's resources is also classified as one such subcomplex.

The program opens up possibilities for boosting Vietnam's economy on the basis of broad cooperation with interested CEMA countries by forming an effective rice and livestock subcomplex, intensifying the fishing industry (including for export), and creating stable export subcomplexes for the production and processing of citrus and tropical crops. For this, the appropriate subprograms of DTsPS-food can provide for special aid to Vietnam, for example in the development of irrigation systems, plantations, a fishing fleet, and other agroindustrial projects, including on a compensation basis.

Production-export profiling in agriculture and the food industry largely depends on the development of corresponding processes in other sectors of the agroindustrial complexes, especially machine building and the chemical and microbiological industry serving agriculture and the fishing industry and enterprises involved in the storage and processing of their products. Profiling in this case could run along lines of concentrating the scientific-technical and production potential of the different countries on the effective production of a limited list of equipment and chemicals, especially structurally and technologically related groups of equipment and chemical systems necessary for carrying out all or most of the operations in specific sectors of agriculture and the food industry.

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A number of such directions are already embodied in the goal-directed programs dealing with fuel, energy, raw materials, machine building, and transport.¹² Integrated development of production-export profiling in these spheres will depend on the extent of interconnectedness of the corresponding provisions of DTsPS-D and the programs that support it. A possible solution here could be to coordinate (by time periods, delivery volumes, and product parameters) the relevant decisions concerning specialization and cooperation, joint construction, and so on, as prepared within the framework of the different DTsPS's. Interrelated sections of the food and consumer goods DTsPS's could be coordinated in similar fashion.

Up to 1990, and for subsequent years in the case of some problems, DTsPS-food will likely be the main tool for combining the efforts of the countries in the development and production-export profiling of the national agro-industrial complexes in the CEMA area. But it cannot and should not resolve all problems relating to this. Many of them will be resolved independently by each country or else on the basis of bilateral arrangements, for example within the framework of long-range programs of production specialization and cooperation (DPSK) through 1990, which will also encompass the agroindustrial sphere. The optimal correlation of DPSK measures and multilateral cooperation on the DTsPS basis, therefore, is of special importance.

The concept of production-export profiling can also be used in working out coordinated directions of development of the relations of the CEMA countries in the agroindustrial sphere with socialist countries that are not members of CEMA,¹³ and with developing and developed capitalist countries.

Relations with the nonsocialist countries are of great importance at present to supply the commonwealth with certain basic food products and types of food requiring special natural-climatic conditions. DTsPS-food opens up new possibilities for developing these relations.

Characterizing the content of DTsPS-food at the 32nd CEMA Session, A. N. Kosygin emphasized that "we should also study the possibility of enlarging resources of agricultural products through cooperation with a number of the developing countries." Prospective directions and forms of relations with the developing countries should be worked out on the basis, first of all, of tendencies of production-export profiling in the CEMA region and, secondly, on ways being mapped out by the developing countries to resolve the food problem. The first approach calls for developing relations chiefly with respect to products for which production conditions are lacking or limited in the CEMA countries,¹⁴ and also certain types of raw materials for mineral fertilizer production.¹⁵ The second involves the necessity of promoting, on the basis of principles coordinated within the CEMA framework, increased production of basic types of food (grains, rice,

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and livestock products) by transferring technologies, delivering equipment, and taking part in the construction of appropriate facilities in these countries.

Many developing states have substantial natural resources for increasing the production of basic types of food while simultaneously increasing or stabilizing the production of traditional export products, chiefly tropical goods. This will require substantial aid to them in capital investments, the development of appropriate agricultural technologies, and the construction of irrigation and infrastructure facilities, agricultural machine building and chemical industry enterprises, and so on. Because a number of these states are small in population, participation by the CEMA-member countries in the creation of even a small number of modern, relatively large-scale agroindustrial enterprises (or territorial complexes) could substantially alleviate the food situation in the developing countries. Such complexes could function as "centers of development," promoting industrialization and generally boosting the economies and shaping an effective territorial and sector structure of the national economies of the younger states. The structural units of such "centers of development" could comprise complexes of enterprises whose nucleus is made up of modern state or cooperative agricultural facilities and processing and infrastructure enterprises in cooperation with the mass of small-scale producers. There could be simultaneous development of agricultural machinery plants supplying them, at first engaged in the assembly and maintenance of imported machinery and equipment and then in the whole production cycle. Agrochemical enterprises could be set up on the basis of exploiting existing mineral resources, not only to meet domestic needs but also for export. Large possibilities are to be found in marine and fresh water fishing and aquaculture in the developing countries on the basis of fish extracting complexes (RDK's) incorporating a modern fleet and fish breeding and processing enterprises.

Aid in all these spheres can be provided on a compensation basis, the contribution of the socialist countries to the creation of these agro-industrial facilities in the developing countries to be paid for by deliveries of goods produced in these facilities, traditionally exported farm goods, mineral raw materials, and other industrial products.¹⁶ Such an approach will make it possible to correlate the two above-mentioned directions of cooperation on a mutually beneficial basis.

The prerequisites for the development of extensive production-cooperative ties between the CEMA countries and the developing states in the agriculture and food sphere are already being laid on the basis of the construction in these countries of particular facilities involved in agriculture, fishing, refrigeration and warehousing, the food industry, and corresponding sectors of machine building and chemistry. These ties are being strengthened through deliveries of complete sets of equipment from the CEMA countries or with their participation, setting up mixed companies of a trade or production nature to develop agriculture, fishing, and

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mineral resources for the production of fertilizers, and providing the developing countries with technical aid in the agroindustrial sectors.¹⁷

In addition to bilateral relations in this sphere, the CEMA countries are also arranging multilateral cooperation with the developing countries, for example Iraq, in the field of expanding agricultural complexes, the construction and delivery of equipment for enterprises processing fruits and vegetables, poultry plants, sheep breeding farms, and irrigation systems. Within the framework of CEMA cooperation with Mexico, Bulgaria will take part in building water reclamation projects, grape, fruit, and vegetable agroindustrial complexes, and so on.

In the future, new forms of multilateral cooperation will come into being in relations between the CEMA and Angola, Ethiopia, and Mozambique. The CEMA countries are gradually turning from bilateral ties with these states¹⁸ to multilaterally based coordinated aid in the development of the agroindustrial sphere. At the 89th meeting of the CEMA's Executive Committee to discuss Angola's appeal for aid in the development of agriculture, a program of cooperation by the interested CEMA countries was approved. In the future, the scale and level of integration of ties between the CEMA and Angola and socialist Ethiopia and, possibly, other developing countries, could rise substantially by linking them in some form or other to DTSPS-food and DPSK measures.

Relations with the developed capitalist countries, especially members of the EEC, the United States, Canada, and Australia, are of great importance. In the mid-1970's, these countries accounted for about 70 percent of the CEMA countries' exports and more than 80 percent of their imports of agricultural foodstuffs from the capitalist countries. They¹⁹ are also traditional importers of food from the commonwealth's countries²⁰ or major suppliers of certain types of foodstuffs²⁰ to the CEMA market, also a number of types of machinery, equipment, and chemicals for agriculture and the food industry. The mutually beneficial development of these relations,²¹ free of discrimination,²¹ is effective for both groups of countries.²² Along with trade relations, the CEMA has also been developing production-cooperative relations in recent years with the capitalist countries in the agroindustrial sphere, including on a compensation basis. Thus, a large canning combine has been built on this basis in Bulgaria jointly with Italian firms. Dutch and French firms have helped build hothouses in Romania, and British firms have built irrigation systems. The manufacture of certain agricultural machines has been arranged in Poland on a cooperative basis with an American firm.

This kind of cooperation helps to rationalize the world division of labor in the food sphere and will be taken account of in drawing up²³ the strategy of CEMA cooperation in this sphere over the long-term future.

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Implementation of DTsPS-food will require large outlays, involving related capital investments in the fuel-raw materials, machine building, and transport programs. This is due to the high capital-intensiveness of the finished food product, which in many cases approximates that of the products of the extractive sectors. In the USSR, according to A. Amosov and Yu. Marunchenko, increasing agricultural output by 1 billion rubles requires at least 12 billion rubles of capital investment. From 1961-1965 through 1971-1975, capital investments in the USSR's agroindustrial complexes increased from 83.5 to 199.2 billion rubles (from 33.8 to 39.8 percent of all investment). In 1976-1977, the share of agriculture and timber operations constituted 11 to 20 percent of the total capital investments in the CEMA countries.

A crucial factor in the inter-state deployment of such resources will be the development of the planning-economic mechanism of cooperation, especially monetary and goods instruments. The motivation and degree of participation of the CEMA countries in DTsPS-food measures largely depend on perfecting the forms and methods of economic incentive for the production and exporting of agricultural and food products, the main directions of which have already been determined. As Bulgarian Council of Ministers Chairman S. Todorov emphasized in his talk at the 32nd CEMA Session, "It is advisable to undertake an integrated system of incentives for the production and exporting of agricultural and food products, to encompass prices, the extending of earmarked credits to the exporting countries, and the creation of specialized funds on a multilateral basis."

Experience in past years has shown that because of differences in conditions governing the production and trading of agricultural food products it is difficult to find uniformly valid solutions. Obviously, the most fruitful approach to the resolution of these problems is to examine them on a differentiated basis for each group of goods included in DTsPS-food. Within the relevant subprograms, problems of price formation, credits, and so on can be resolved in an integrated way on the basis of the specific conditions of cooperation and motivation of the countries to resolve particular problems. For example, nine countries have expressed interest in working out six of the 34 problems of cooperation within the DTsPS-food framework; eight countries will deal with seven of the problems, and so on. Hungary, for example, is participating in the working out of 31 problems. The USSR will participate in most of the program's measures.

For goods that are to be delivered on the basis of conventional foreign trade practices, it will be necessary to perfect the procedure for selecting world prices, determining how long they should remain in effect, and the nature of averaging [usredneniye]. It is also advisable to take account of the specifics of the agricultural foodstuffs (seasonality of production, storage times, and other factors. In substantiated cases it is possible to set contractual prices on the basis of maximum world prices

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or to introduce special premiums [nadbavka] on contract prices to stimulate the expanded production, improved quality, and deliveries during seasons of greatest scarcity, and so on. It is also possible to continue the practice of setting preferential incentive prices, for example, of the kind that have proved valid in regard to Cuba and Mongolia. "The Soviet Union's, Bulgaria's, the GDR's, Poland's, and the CSSR's compliance with our request for incentive foreign trade prices on certain basic types of exported goods,"²⁴ said Mongolia's Permanent Representative to the CEMA M. Pelzhee, "has made it possible for us to take additional measures to increase the population's income and strengthen agriculture's material-technical base." The introduction of incentive prices is dictated by specific conditions of the economic development of the different countries and is to a large extent a form of economic aid on the part of the other CEMA countries. For this reason, such prices can be viewed as just one, and not the main, way to perfect price formation on the CEMA market.

A number of goods are to be delivered on the basis of international specialization and cooperation of production and joint construction and operation, which can lead to the creation of international production complexes. In principle the solution in this case can be to set special prices that are distinct from those on similar goods delivered within the framework of conventional trade turnover. In specialization and cooperation these special "integration" prices could be formed on the minimum possible level, while in joint construction and operation they could be established primarily on the basis of the scarcity of the goods and the actual conditions governing expansion of their production within the CEMA framework.²⁵

Proposals concerning special conditions governing international credits and financing for the development of agroindustrial projects, including bilateral earmarked credits and International Investment Bank credits on preferential terms for the implementation of DTsPS-food measures, make practical sense and are theoretically justified. These forms of stimulation have already been assimilated by the the CEMA countries in other sectors. Objectively they are suitable for use in agriculture and the food industry²⁶ and other sectors encompassed by DTsPS-food subprograms, considering their high capital-intensiveness, long payback period, dependence on natural-climatic conditions, and so on.

An alternative to bilateral and multilateral international credits can be the creation of a specialized international fund to finance the production and exporting of scarce agricultural foodstuff (MFF). The CEMA countries link the question of creating such a fund to the implementation of the DTsPS-food program, especially those measures for which stimulation by means of reciprocal trade prices is not sufficient. For implementing these measures, as a rule, we cannot confine ourselves to earmarked credits on a bilateral basis or through the International Investment Bank

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because of the particularly large amounts of essential investment funds, long payback periods, unacceptability of credits for ordinary conditions of competition in terms of effectiveness, and so on. It may be a matter of measures having crucial importance for enhancing the collective food supplies of the CEMA, organizing or rationalizing the production-expro-
filing and raising the effectiveness of the agroindustrial complex in the economically less-developed countries of the commonwealth, and strengthening ties with other socialist and developing countries in the agroindustrial sphere.

Such an approach in effect determines a possible function of the fund-- earmarked financing within the CEMA framework and in third countries of DTsPS-food measures in which all or most of the commonwealth's countries are interested; the probable composition of its participants--the interested CEMA countries taking part in the goal-directed program; the period it remains in force--the period of completion of the corresponding measures included in the DTsPS or proposed for inclusion in the future; the approximate amounts of its funds--that portion of capital investments which countries developing a specific production operation within their own territories or coordinating the commonwealth's joint efforts propose to secure from the other CEMA countries; and forms of disbursement of these funds--interest-free loans or grants.

An international finance fund created on this basis would have a number of advantages over existing forms of international credit. First, all the countries participating in DTsPS-food--both food importers and exporters--would be interested in the formation and effective utilization of its funds. In addition, it would become possible to take maximum account of the specific conditions governing food production within the CEMA and at the same time exercise effective control over the use of the funds by the borrowing countries. The fund could be formed on a mutually beneficial basis, for example, by contributions from the budget that would be fixed or variable depending on the proportion of the product produced as a result of implementing a particular measure of the program.

Important factors in the implementation of DTsPS-food would be the organizational-legal instruments of cooperation, primarily agreements on specific measures of the program. These measures would be taken account of in drawing up bilateral long-term programs of specialization and cooperation of production and constitute crucial elements in the coordination of national-economy plans and the formulation of a correlated plan of multilateral integrative measures for 1981-1985. In connection with the implementation of the DTsPS, the CEMA Committee for Cooperation in the Field of Planning Activities will play a greatly increased role and the sector standing commissions (for agriculture, food, chemical industry, machine building, transport, and so on) will have greater responsibility; the international economic organizations will play a more active role in sectors of the agroindustrial complex. Effective implementation of

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international agreements will require stronger penalties for failure to meet obligations on time or as specified, and also the adoption of the necessary organizational measures in the different countries.

In the Declaration of the 33rd CEMA Session Concerning the 30th Anniversary of the CEMA, the commonwealth's countries once again confirmed that improvement in the population's supply of foodstuffs and industrial consumer goods will constitute one of the priority goals of their cooperation in the coming decade.

Already, as K. F. Katushev emphasizes, the CEMA's economic system "is not just an aggregate of national operations of states in cooperation with one another but rather an integrated system in which the interrelated national-economy complexes of the fraternal countries are actively developing relations of an internationally planned organized pooling of social labor; this substantially multiplies their forces and enhances the effectiveness of solving both national and international tasks." The implementation of DTsPS-food will help to develop these tendencies in the agroindustrial sphere, stimulating mobilization of the internal resources of each country and strengthening international division of labor in this sphere.

FOOTNOTES

1. EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, No 4, 1978, p 53.
2. If we take the per capita consumption of meat in the CSSR, milk in Poland, and fruit in Bulgaria and Hungary to be 100 percent, the corresponding figures in the other CEMA countries will be 51-95, 44-77, and 47-77 percent (see PLANOVOYE KHOZYAYSTVO No 9, 1978, pp 32-33).
3. For example, rational consumption norms in Bulgaria, Hungary, and the USSR are: meat--80, 80, and 82 kilograms; fish and fish product--10, 5, 18.2 kilograms; milk and dairy products--260, 270, and 405 liters; vegetables--180, 130, and 146 kilograms; fruit--200, 120, and 113 kilograms (G. Zhelev, "Vuzproizvodstvo i balans na narodnoto stopanstvo na stranite'chlenki na SIV" [Bulgarian], G. Bakalov, Varna, 1976, p 49; V. F. Mayer, "Uroven' zhizni naseleniya SSSR" [Standard of Living in the USSR] Izdatel'stvo Mysl', 1977, p 102.
4. According to FAO data, in 1975 their annual world output came to about six million tons; by the year 2000 it could rise fivefold. The seacoasts of a number of CEMA countries (Bulgaria, Vietnam, Cuba, Romania and the USSR) are favorable for mariculture.

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5. POLITICKA EKONOMIE No 12, 1978, p 1,113.
6. In the last five-year plan, for example, Bulgaria used only 70 percent of her available irrigated lands; Hungary used 70 to 75 percent; in the USSR, more than 200,000 hectares of reclaimed lands went unused every year, and about 480,000 hectares of irrigated farmlands were not watered. In the same period, large-scale livestock farms in Hungary were only 85 to 86 percent stocked. In 1977, 300 dairy complexes in the USSR with a projected capacity of about 300,000 head were not fully stocked, and agricultural equipment idleness due to technical breakdown in Belorussia and the Ukraine alone came to about seven million tractor-days. Mongolia has large areas of land suitable for cultivation that are not being used, and Vietnam has developed only half of her suitable farmland.
7. According to some estimates, for example, improving farm roads and storage facilities would make it possible to boost the production of finished farm goods in the USSR by eight to nine percent per year, equivalent to investing some 90 to 100 billion rubles in this sector. The degree of utilization of raw materials in the food industry of the CEMA countries does not exceed 75 percent.
8. PLANOVoye KHOZYAYSTVO No 1, 1979, pp 27-28.
9. PRUMYSL POTRAVIN No 4, 1976, pp 187-189.
10. Thus, grain production in the CEMA countries is to be increased to one ton per capita by 1990 (that is, a total of 430 million tons); this is considered to be enough to meet the needs of the food industry and livestock farming. The widespread adoption of new technologies in the integrated processing of oil seeds will make it possible to obtain up to three million tons of feed protein in the CEMA as a whole without increasing their production, and perfecting technologies of processing meat industry wastes will make it possible to increase the output of feed bone meal by three to five percent.
11. With the participation of a number of CEMA countries, a feed yeast plant will be built in the USSR on the basis of petroleum paraffins, designed to produce 300,000 tons of yeast per year. Rational use of them in livestock farming can yield an additional 300,000 to 350,000 tons of pork or 400,000 to 500,000 tons of poultry meat per year. Proposals are being worked out to set up facilities in the USSR and the CSSR to produce vitamins A and E, and facilities in Poland to produce methionine and other products.
12. In the USSR, for example, plans call for developing the production of energy-intensive and material-intensive chemical goods (in particular, ammonia, polyethylene, and methanol) in exchange for less

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energy-intensive and material-intensive goods from other CEMA countries (including crop protection chemicals). The long-range nitrogen fertilizer requirements of the CEMA countries are to be met primarily through their own production; phosphorus fertilizers are to be secured through cooperation with third countries. Plans call for specialized and cooperative production of families of tractors of 150 hp and a complex of machines to go with them, also highly-productive combines, progressive technological equipment for the basic sectors of the food industry, and production lines for the bottling of liquid foods and the packaging and packing of food products (see VNESHNYAYA TORGOVLYA No 11, 1978, pp 6-7, 8, 10).

13. For example, interested Yugoslav organizations will take part in working out and implementing the DTsPS with regard to questions of mutual interest to the CEMA countries and Yugoslavia. There are definite possibilities for expanding ties in the agroindustrial sphere between the CEMA countries and Laos, whose main economic tasks involve the development of agriculture and irrigation and the creation of an industrial base for these sectors.
14. In the mid-1970's the developing countries accounted for about 41 percent of the CEMA countries' agricultural imports and 31 percent of their exports to the nonsocialist countries, including about 30 percent of all fruit imports, more than 50 percent of all essential oil imports, and practically all coffee, cocoa, and tea imports ("Yearbook of International Trade Statistics").
15. Thus, Bulgaria, Hungary, the GDR, and Romania import only insignificant amounts of phosphate from the developing countries. In recent years, for example, these imports have met 10 percent of Hungary's raw phosphate needs.
16. In 1978, for example, goods delivered in payment for aid accounted for 24 percent of the USSR's imports from the developing countries. These included citrus and oil crops from Afghanistan, cotton from Syria, and so on.
17. Bulgaria, Romania, and the USSR, for example, are helping the developing countries of Asia and Africa to build agricultural and agroindustrial complexes and irrigation systems. Hungary is exporting industrial agricultural systems to the developing countries (in particular Iran), including the adaptation of technologies to local conditions, the delivery of planting and pedigree stock, sets of machinery, equipment and chemicals, cadre training, and so on. There is an active Bulgarian-Nigerian fresh and frozen fish trading company; mixed fishing companies are being set up by the GDR and Poland with India, and the USSR is cooperating successfully in this field with Guinea, Ghana, Sierra Leone, and others.

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18. Thus, the USSR is helping Angola to work out a program to expand the production of cotton and wheat; it is helping Ethiopia to develop agriculture, irrigation, and the food industry. Bulgaria will help Angola to build several state farming operations, a number of irrigation systems, meat and dairy industry enterprises, and fruit and vegetable storage facilities. Bulgaria will help Ethiopia to build agricultural and food industry facilities. The GDR will build grain elevators in large Angolan seaports and help Ethiopia to develop her agriculture and processing facilities, to build a tractor assembly plant, and so on. The USSR and Bulgaria will provide joint aid to Mozambique to draw up a master plan to utilize the resources of the Limpopo Basin covering an area of almost 80,000 hectares. Bulgaria and the USSR are collaborating successfully with Angola and Mozambique in the field of fishing and fish processing.
19. Thus, the Common Market countries in the mid-1970's accounted for more than 60 percent of the CEMA countries' agricultural and food exports to the capitalist countries.
20. For example, the United States' and Canada's share in the CEMA countries' agricultural and food imports from the nonsocialist countries in the mid-1970's came to more than 30 percent.
21. In many cases the CEMA countries are discriminated against in the exporting of agricultural and food goods to the Common Market countries. Frequently, quantity limits and higher duties are imposed, or else special compensatory taxes are introduced. In 1968-1969, such taxes were repeatedly imposed on sunflower oil imported from the socialist countries, and in 1973 and 1976 they were imposed on vegetables imported from Bulgaria and Romania (see Appendix to BIKI No 6, 1978, pp 85-86).
22. In 1976 deliveries to the European CEMA countries accounted for 13 percent of the value of American farm exports--about three billion dollars. According to available estimates, farm exports to the CEMA countries could provide employment for about 100,000 workers in the United States ("Problems in International Agricultural Trade," Senate Committee Hearing on Finance, Washington, GPO, 1977, p 95; "Sotrudnichestvo sotsialisticheskikh stran" [Cooperation of the Socialist Countries], Moscow, 1977, pp 97-99).
23. For example, studies are being made of long-term cooperation between the USSR and Canada, Australia, New Zealand, and a number of western European countries in the field of agriculture and agricultural goods processing; an examination is being made of possibilities of creating a Soviet-Australian fishing company.

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24. In 1971-75 and 1976-1980 the USSR has set preferential foreign trade prices on Mongolian livestock, horses, meat, mutton, and camel wool, goat fur, and other items.
25. For more detail concerning "integrative" prices see Yu. Kormnov's chapter in "Otraslevaya sotsialsticheskaya integratsiya" [Sector Socialist Integration], Izdatel'stvo Nauka, 1976, pp 110-124. More or less similar thoughts are expressed by V. Rybalkin in "Mezhdunarodnyy rynek SEV (Perspektivy razvitiya v usloviyakh ekonomicheskoy integratsii)" [The CEMA International Market (Prospects of Development Under Conditions of Economic Integration)], Izdatel'stvo Mysl', 1978, pp 137-140, and by N. Mitrofanova in "Tseny v mekhanizme ekonomicheskogo sotrudnichestva stran-chlenov SEV" [Prices in the Mechanism of Economic Cooperation of the CEMA-member Countries], Izdatel'stvo Nauka, 1978, pp 131-133.
26. To a large extent this is due to inadequate consideration of the characteristics of agricultural production in extending credits. International Investment Bank credits are provided, for example, to develop agricultural machinery enterprises in the GDR and Poland. In 1971-78, meanwhile, food industry enterprises accounted for only 0.2 percent of the total bank credits and agricultural projects received no credit at all.
27. With respect to DTsPS-food, for example, plans call for concluding 10 general and 15 multilateral agreements up to 1980 and extending three already existing agreements.

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INTERNATIONAL ECONOMIC RELATIONS

BOOK DISCUSSES CEMA PRICE FORMATION THEORY, PRACTICE

Moscow VOPROSY EKONOMIKI in Russian No 10, Oct 79 pp 141-143

[Review by V. Grinev of the book "Tseny v mekhanizme ekonomicheskogo sotrudnichestva stran-chlenov SEV" [Prices in the Mechanism of Economic Cooperation of the CEMA-Member Countries] by N. M. Mitrofanova, Izdatel'stvo Nauka, 1978, 175 pages]

[Text] A virtue of the monograph under review is its investigation of a broad range of problems encompassing the function and role of the system of contract prices in developing economic relations among the CEMA countries, the specifics of price formation under conditions of various forms of cooperation. It summarizes the results of almost 20 years of experience in foreign trade price formation and attempts to define the prospects of its further development.

Systematically tracing the characteristics of contract price formation at various stages of cooperation, the author analyzes various points of view that have been expressed with regard to these questions. As the author correctly notes, in the world socialist market prices are formed on the basis of world prices without taking direct account of the level of the individual national value of the products in the CEMA countries, although it is taken into account indirectly (p 30). For example, in determining base prices the countries select from the set of world prices--especially on finished goods--those prices which cover the exporter's production costs and offer the importing country an advantage over its own production of corresponding goods. The level of individual national value of the product in the presently-existing practice of foreign trade price formation among the CEMA countries is indirectly taken account of in setting preferential and beneficial prices on agricultural goods.

As economic cooperation among the CEMA countries becomes deeper, there is an ever stronger necessity of perfecting not only the methods of selecting world prices reflecting the inter-national value but also of adjusting them substantially under the influence of objectively evolving production conditions in the CEMA countries. The monograph presents a theoretical substantiation of this direction in perfecting the existing system of

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foreign trade price formation (p 35) as applicable to various forms of economic cooperation, a matter which seems to us to be especially important.

This is also required by the basic principle of foreign trade price formation among the CEMA countries--ensuring mutual beneficiality. For a long time, mutual beneficiality in CEMA trade was viewed only in terms of comparing marketing conditions in the internal market of the CEMA countries and in the foreign market. But it is not enough to confine ourselves to such an interpretation of mutual beneficiality, because the effectiveness of foreign trade ties among the CEMA countries is characterized not only by the difference between domestic and foreign trade prices but also the difference between the domestic costs of producing an imported product and the export equivalent providing the possibility of the given import. Under such an approach, taking account of individual national costs comes to be of special importance. Unfortunately, this aspect of analysis of the problem is not adequately reflected in the monograph, even though all the procedures for determining the economic effectiveness of cooperation now in effect in the CEMA-member countries are built on this principle.

The book's investigation of the economic content of contract prices is backed up by interesting data concerning the comparative dynamics of the indices of contract, world, and wholesale prices of the USSR and an analysis of tendencies in their movement. An integrated comparison of dynamic series of these prices on fuel, raw materials, agricultural goods, machinery, and equipment allows the author to show that a change in the indices of contract prices as a whole corresponds to a change in the indices of world prices, while the dynamics of indices of wholesale prices in the USSR take place for the most part independently. The character of change in the indices of contract and world prices also indicates that the rate of change in the latter is much more intensive. In practice this means that objective changes in world prices spread to reciprocal trade among the CEMA countries only after a time lag and then not in full measure; this is largely due to adjustments of their levels and ratios made by the countries. This situation is also confirmed in the practice of contract price formation during the current five-year plan.

In utilizing indices to analyze tendencies in price changes, the author should have shown that this method also has its negative aspects and that a more interesting pattern emerges from investigating the character of change in the indices themselves.

In analyzing the present practice of foreign trade price formation, N. Mitrofanova in our view correctly formulates the thesis that inasmuch as prices by their social-economic nature should be uniform with the market whose needs they regularly service, they either wholly constitute an organic component of it or are subject under its influence to fundamental

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correctives and adjustment (p 84). The latter is fully applicable to the international market of the CEMA countries, which is governed by special trade and political conditions. Experience shows, in fact, that world prices are adjusted relative to conditions of reciprocal trade through careful and mutually coordinated selection of the most appropriate base prices on world commodity market, by cleansing them of the harmful influence of conjunctural conditions on the capitalist market, taking account of differences in the technical-economic characteristics of products participating in trade turnover, employing special conditions to calculate the transport component, and applying world prices to the terms of delivery and payment characteristic of the CEMA market. The author also emphasizes that at present an important but as yet not fully worked out problem is that of taking account of terms of payment and the nature of foreign currency in forming contract prices (p 93), because with the general crisis in the state of the capitalist currency system the need arises for special price adjustment (p 99).

But the present practice of contract price formation should be refined not only with respect to improving the methodology of price formation but also along other lines. As integration becomes deeper, exchange comes to be more and more directly planned, the center of gravity in cooperation shifts from the sphere of circulation to the sphere of production. This imposes corresponding requirements on price formation as well (p 109). Under such conditions it is important to find concrete economic solutions to preserve and strengthen autonomous financing relations by means of prices.

Focusing attention on this matter, however, the author does not propose way to resolve it. From our standpoint, this could be facilitated by employing a system of price limits to be used in the production planning stage (similar to the experience of domestic price formation in a number of CEMA countries), which could make it possible for future exporters and importers to compare foreign trade prices with possible domestic costs in order to assess the extent of their material interest in specific variance of cooperation before signing the relevant contracts. This would also make it possible to make joint calculations of the economic effectiveness of proposed variants of production specialization or to strive for comparability of the results of calculations made independently by each country concerned.

Very timely is the monograph's treatment of the question of the role of contract prices in implementing measures mapped out in long-range goal-directed cooperation programs. Prices in this case, according to the author, are designed primarily to organically link the material and value aspects of planning and product marketing (p 131).

We also support the author's conclusion that the requirements of development of integrative forms of cooperation, organically linked with joint

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planning activities in the sphere of production, are beginning to outgrow the methodological framework of the present price system, which is designed primarily to serve foreign trade exchange (p 137), and raise the issue of the necessity of greater substantiation of the system and sometimes the formulation of new normative documents.

The work presents an interesting analysis of the character of the interrelationships evolving in individual CEMA countries between domestic and foreign trade prices. The essence of these interrelationships is determined by the development of relations between the national and the international values of goods. Presenting in detail the opinions of CEMA economists with regard to each country's practical attainment of optimality in this correlation, the author notes that much depends on the level at which this problem is resolved. As a result the author concludes that although the system of autonomous financing relationships in foreign economic activities is formed independently by each country thanks to the establishment of economically substantiated interrelationships between national and foreign trade prices, the development of economic cooperation within the framework of the entire CEMA commonwealth is also becoming considerably activated.

The monograph concludes with an examination of the prospects of perfecting prices as a vital instrument of a planned mechanism of cooperation among the CEMA countries. In the author's opinion, in the foreseeable future we must expect a further rise in the role of prices as a criterion for assessing the effectiveness of plans of development of reciprocal foreign economic relations among the CEMA countries and more active utilization of their autonomous financing possibilities under conditions of various forms of cooperation, and prevalence of the differentiated approach in structuring the price system depending on the specifics of the forms of cooperation and commodity groups (pp 165-175).

On the whole, the work is written on a rather high theoretical plane and presents interesting practical materials concerning the present mechanism of foreign trade price formation in the CEMA. The work will be useful to its readers.

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CONSUMER GOODS AND DOMESTIC TRADE

EFFICIENCY, SERVICE QUALITY IN TRADE EVALUATED

Moscow VOPROSY EKONOMIKI in Russian No 10, Oct 79 pp 78-89

/Article by L. Samsonov: "The Efficiency and Quality of Trade Service"/

/Text/ The decree of the CPSU Central Committee and the USSR Council of Ministers, "On the Improvement of Planning and the Intensification of the Influence of the Economic Mechanism on the Increase of Efficiency and Work Quality," is devoted to a new stage of the dynamic development of the economy of developed socialist. The increase of the efficiency and quality of trade service on the basis of the improvement of planning and the intensification of the influence of the economic mechanism requires the extensive utilization of socio-economic levers, the selection of effective forms of socialization, which reflect the development of the social nature of circulation on the basis of the concentration, integration and cooperation of various systems, and the creation of associations in conformity with the achieved level of the productive forces. The rational specialization of the operating trade network, which makes it possible to increase 1.5- to 2-fold the effectiveness of the use of the material and technical base of trade, requires special attention. The rational specialization of nonspecialized nonfood stores alone can provide the national economy with a saving of about 1 billion rubles in capital investments. The further improvement of the planning of scientific and technical progress and the elaboration of standards of the inputs of labor and other resources per 1 million rubles of turnover are necessary. The development of distributive relations (the organization of public dining, services, additional service with a discount at the expense of enterprises) could play a significant role in increasing work quality and attaching manpower resources. The working out of these measures should ensure a great effectiveness of the end results, including the quality of service. The solution of a complex problem--by utilizing with the greatest efficiency the resources at the disposal of the national economy to achieve the highest quality of service--is therefore important at the present time.

The achievements in the saving of some resources in retail trade during 1965-1978 are characterized by the following data (see the table on the following page).

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Saving of Resources in Retail Trade

Indicators	1965	1978
Increase of retail commodity turnover		
ΔT (times).	1.00	2.31
Number of workers (thousands).	2,974	4,559
Trade floor of stores (in millions of m ²)	31.5	43.6
Commodity stocks (in millions of rubles)	26,381	48,680
Saving in resources		
$\Delta P = \Delta T X P_{1965} - P_{1978}$		
Number of workers (thousands).	-	2,310
Trade floor of stores (in millions of m ²)	-	13.7
Commodity stocks (in millions of rubles)	-	12,252

The data of the table show the gains made in increasing the economic efficiency of trade. If the efficiency of the use of trade floors in retail trade remained at the 1965 level, about 14 million m² of additional trade floor, or about 700 million rubles of capital investments, would be required. At present up to 2.3 million trade workers have been conditionally released. These are positive results. However, at some enterprises the intensification of the use of resources is achieved by reducing the quality of consumer service and increasing the expenditures of time on acquiring goods. Therefore we must, in our opinion, talk not simply about the increase of labor productivity and the efficiency of the use of trade floors, but also about the optimum combination of the economic impact of the trade enterprise for the national economy and a high quality of service. The meeting of the demand of the population for a high quality of service is the ultimate goal of socialist circulation, which directly influences the increase of the productive strength of labor.

In a speech at the 15th Komsomol Congress L. I. Brezhnev said: "As our economy grows and the well-being of the Soviet people increases, such spheres of social activity as trade and personal service acquire greater and greater importance.... Meanwhile it is precisely in these fields that so far we have, as you, of course, know, many shortcomings, at times even flagrant ones. The reasons here are different and are of a material, organizational and moral nature. But one thing is clear: things must be put in order." Consequently, with the development of trade it is necessary to devote special attention to increasing the quality of service.

The buyer perceives the appropriate level of the quality of service and the consumer utility of goods through his own evaluation depending on the cultural level, the amount of income and a number of other factors. But if the consumer rating of an item or services, in the opinion of the buyer, is

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higher than its price, this is the "profit" which he obtains by acquiring the given item or using the given service.

When analyzing the set of consumer demands of buyers it is necessary to remember that they can all be met only to the extent to which society can allow itself to do this. But whereas previously there was no opportunity to devote the proper attention to the solution of this problem owing to the urgency of fulfilling a number of other tasks, today the necessary economic potential has already been created for this. Thus, the quality of service should be understood as the degree of conformity of its actual organization to the means and resources being allocated by the national economy for its development.

The increase of the output of consumer goods is making it possible to meet more and more completely the constantly increasing consumer demands on the quality of service and to increase its actual level. Here the concepts of the ideal and the real quality of service should be differentiated. The ideal quality of service is its conformity to consumer demands; the real quality is based on the level achieved in the country of the development of the production of consumer items and the available resources. The indicators of the ideal quality of service are a unique guideline for the development of the real quality of service. Numerous studies have shown that the use value of the quality of service is determined by the meeting of the demands of the population. Of greatest importance among them are: the needs for the quality and quantity of goods which ensure the maintenance and further development of the achieved level of consumption; the needs for the condition of the acquisition of goods which ensure the saving of time and the convenience of shopping; the needs for the quantity and quality of services, the standards of service, the ethics of the interrelations with workers of the services; the needs for self-expression, which conform to the cultural level and tastes of the consumers, his habits and inclinations; the needs for social contact.

The role of each of the indicated needs and its social importance are different. Many consumers rate the conditions of acquisition and the consumption of services even higher than such a factor as a stable variety of goods. Thus, in Kostroma the rating by consumers of the quality of service with a good variety, but bad service ranged from 3.0 to 3.4 points, that is, it was satisfactory. The rating of the quality of service with an unsatisfactory variety of goods, but with good service ranged from 3.5 to 3.9 points, that is, the consumers considered this situation to be good. This attests that the increasing level of culture and education of consumers is making it incumbent to evaluate more and more strictly the cases of disrespect on the part of workers of the services.

Experiments on the rating of service quality have been conducted since the beginning of the 1970's. Of course, the first attempts to rate service quality had a limited range of characteristics. Today, in order to link all the measures on the improvement of the quality of consumer service with the increase of the effectiveness of operation of trade enterprises, a comprehensive system of service quality control (KS UKO) is being developed and

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introduced on the basis of the use of the experience of trade workers of the Belorussian SSR. Progressive systems of control, new types of enterprises, rational systems of their location, state and sectorial standards for consumer goods, skills requirements for workers of the services and others are its organizational basis.

Standards which regulate not only the technical and economic indicators of the products entering the trade network, the production process in public dining and the packaging of goods, but also the process of their delivery, sale and so on, play an important role in the matter of introducing the comprehensive system of service quality control. They direct the attention of all workers to the achievement of a high quality of service. The manager of the trade organization runs the comprehensive system of service quality control. Service quality control groups, which operate with the rights of independent subdivisions, are being set up for day-to-day service quality control at large department stores, united stores and associations. Such groups are directly subordinate to the manager of the trade organization. In the groups the main documentation on service quality control is corrected, executive work is coordinated and the economic impact of the implemented measures is evaluated. The groups perform all the preparatory work on holding days of service quality and various seminars, sharing know-how and so on. At the same time the monitoring of the meeting of the deadlines and the completeness of the information being submitted on service quality is ensured, measures on the improvement of the comprehensive system of service quality control with allowance made for the peculiarities of the activity of specific trade organizations are elaborated, coordinated and adopted. The comprehensive system of service quality control includes such concepts as the standard of service, the quality of goods, the development of the service network and so on. Special standards, by means of which it is possible to detect and take into account the shortcomings previously not taken into account anywhere, to ascertain the specific contribution of each worker to the performance of the common tasks of the collective, which promotes an increase of personal responsibility for the results of the labor of the entire collective, are being elaborated in order to ensure the appropriate level of all these indicators.

The use of the indicated system makes it possible to detect both the deficiencies and the favorable aspects in the work of each member of the collective, to take steps to eliminate them and to efficiently increase the level of labor organizations and the quality of consumer service.

In the system the model statute on the payment of bonuses to the workers of trade and public dining enterprises, which have been converted to the new system of planning and economic stimulation, is given concrete expression, the amount of the bonus is established subject to the quality of labor, which is expressed by the coefficient of quality. The quality of labor for the month is rated by a coefficient, which is equal to 1. With a decrease or increase of the indicators of labor quality this coefficient is accordingly decreased or increased. The experience of the capital's Moskvorechskiy Department Store showed that with allowance made for the personal

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contribution of the workers to the overall results of work it is possible to increase the amount of the bonuses from 15 to 25 percent. The use of this system made it possible to improve labor discipline significantly and to increase the responsibility of the workers; a sharp (8-fold) reduction of the number of consumer complaints was a direct result of the adoption of the system.

The improvement of the rating of service quality requires the expansion of the system of standards. In particular, the extension of the standards to specific techniques of consumer service to the checkout counters, the trade floor, the ordering departments and so on is expedient.

The elaboration of a regional rating for enterprises of a specific rayon, city, region and so on is the next stage in the improvement of the rating of service quality. In this case the process of developing service quality is regarded as a system of moving equilibrium, which takes into account the development of interconnected components, such as, for example, the ratio of the increase of the retail turnover to the increase of the income of the population, the ratio of the change in the trading area to the change of the level of supply of the population with living space, the ratio of marketing costs to the costs of consumption and so on. Other factors also influence the change in the noted indicators. Thus, the increase of the trading areas is adjusted by the increase of the delivery capacity of the enterprises using advanced forms of trade, the change in the costs of consumption is adjusted by the increase of the size of the population being served, by the change in the expenditures of time on shopping and so on. The calculations of the regional rating of service quality showed that, for example, in the capital in the past decade the level of service quality has increased 8 percent.

In the increase of the socio-economic effectiveness of the marketing sphere the increase of the level of its socialization on the basis of the development of associations is becoming decisive. By early 1979 associations and department stores accounted for more than 20 percent of the retail turnover of the system of the USSR Ministry of Trade. The socialization of the marketing sphere makes it possible, on the one hand, to achieve a greater integrity of the marketing system itself and, on the other, on the basis of the study of consumer demands to switch to the management of specific markets of consumer goods. The integrity of the marketing system is being achieved on the basis of the combination of similar enterprises and the development at them of new management agencies--dispatcher services, departments of advanced forms of trade and others. The combination of individual sellers of goods into a single unit eliminates the parallelism and duplication in their work and concentrates their commercial and other functions. The association is becoming an equal partner of the suppliers of goods and the main cost accounting unit of trade.

The new forms of trade management are replacing the presently predominant local trade organizations, whose turnover volume exceeds 85 billion rubles a year; more than 1.6 million people work at them. The local trade

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organizations can perform the duties of the main cost accounting unit of trade only with respect to dependent enterprises. With respect to independent enterprises, the number of which is constantly increasing, the trade organization acts only as an agency of administrative management, turning over to them all day-to-day functions, which also gives rise to parallelism and duplication in its activity. The concentration of the functions of trade organizations, which is called upon to promote a reduction of the number of administrative and managerial personnel, in fact is leading to the opposite results. For example, in the food trade organizations with a commodity turnover of 20-30 million rubles a year the number of administrative and managerial personnel per 100 working people is 4.4 units, while in trade organizations with an annual turnover of 80-90 million rubles it is only 1.9 units. At the same time, owing to the transfer of the function of day-to-day management to the stores the total number of administrative and managerial personnel increased from 9.2 to 12.7 units. Thus, the saving of 2.5 units of managerial personnel per 100 working people in the highest unit of management of local trade organizations leads to an increase of the number of administrative and managerial personnel at the stores by 3.5 units. Consequently, on the whole an increase of the administrative and managerial personnel is occurring, and not a decrease, the duplication and parallelism in the performance of functions between the highest and lowest units of management in these organizations are increasing.

The improvement of the system of management and the organization of trade should take place on the basis of the use of the sectorial and territorial principles. The number of specialized trade organizations in the system of the USSR Ministry of Trade increased from 1952 to 1977 four times more rapidly than the total number of trade organizations. In spite of the considerable development of the network of specialized trade organizations, they constituted only 21.4 percent in the total number of local trade organizations, while specialized stores constituted 48.3 percent in the overall network of retail trade enterprises.

The development of specialized trade organizations is restricted by local conditions. As estimates show, they can operate efficiently only in 3 percent of the cities. The use of new forms of management--associations, combined enterprises, urban cost accounting administrations of trade--makes it possible to resolve the contradiction between the effectiveness of the sectorial principle of management and the possibilities of using it. The adoption of these forms of management yield a significant economic impact (see the table on the next page).

At food associations, which coordinate the activity for the most part of similar enterprises with a wide variety of goods, the level of commodity stocks in 1976 was two days less, and in 1978 two days more as compared with food trade organizations. The fact that the profit in 1976 was 0.21 percent higher, and in 1978 0.29 percent higher with respect to the turnover than at food trade organizations, is of great importance. The increase of the economic efficiency of food associations as compared with general-purpose food trade organizations is taking place with an almost identical capacity of the warehouses in terms of 1 million rubles of retail turnover.

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Economic Efficiency of the Development of New Forms of Management
in the System of the USSR Ministry of Trade

Forms of Management	Indicators			
	Profit from sales (per- cent of turnover)		Commodity stocks (in days of turnover) on	
	1976	1978	1 January 1977	1 January 1978
General-purpose food trade organization. . . .	1.68	1.65	24	23
Prodtovary Associations .	1.89	1.94	22	25
Percent of indicators of trade organizations . . .	112.6	117.5	91.6	108.8
General-purpose industrial trade organizations . . .	2.17	2.37	93	85
Promtovary Associations .	2.19	2.36	87	76
Percent of indicators of trade organizations . . .	100.9	99.5	93.5	89.4
Fruit and vegetable trade organizations	0.75	0.43	47	49
Plodoovoshch wholesale and retail associations . . .	0.18	1.67	58	27
Percent of indicators of trade organizations . . .	24.0	389.3	123.4	55.2
Footwear trade organiza- tions	2.34	2.54	55	53
Obuv' wholesale and re- tail associations	2.86	2.75	53	43
Percent of indicators of trade organizations . . .	122.2	108.2	96.4	81.1
Clothing trade organiza- tions	2.69	2.76	86	91
Odezhda wholesale and re- tail associations	3.39	3.58	68	51
Percent of indicators of trade organizations . . .	126.0	129.9	79.1	63.0
Sporting goods trade organizations	2.75	2.77	70	75
Sporttovary wholesale and retail associations . . .	3.19	4.08	43	43
Percent of indicators of trade organizations . . .	116.0	147.2	61.4	57.3

The increase of the level of socialization of the trade in fruits and vegetables, which involves the integration of the wholesale and retail units, makes it possible not only to increase the capacity of warehouses and to eliminate the duplication in their work, but also to increase significantly

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the effectiveness of the economic activity of associations. In 1978 the profit as Plodoovoshch associations was 1.24 percent higher with respect to the turnover than at fruit and vegetable trade organizations.

The further improvement of the commodity movement of fruits and vegetables consists in the integration of the entire cycle of their production, procurement and sale. Experience in creating such associations already exists. Thus, one of the first agro-industrial trade associations has been operating for more than 10 years in the Checheno-Ingushskaya ASSR. Before the unification of all the links of the commodity movement of fruits and vegetables approximately 15-20 percent of their entire harvest did not reach the consumer. Today the supply of trade enterprises has been organized in such a way that there is a constant variety of all products available at them. Not only are fresh fruits and vegetables delivered to the stores daily, but those which have lost their marketable appearance and whose industrial processing is necessary, are hauled away.

The population is also making great demands on trade in nonfood consumer items. A constant increase of the role of specialized stores is typical of the network of nonfood stores. The use of the commodity-sector principle of unifying similar enterprises in combination with the integration of the wholesale and retail units makes it possible to improve the system of the commodity supply of nonfood consumer items. At wholesale and retail associations the path of the movement of goods is shortened, the warehouses of retail and wholesale trade are combined and, what is most important, the wholesale and retail units act as a unified system with common interests and goals. The planning of their activity is coordinated and is aimed at the achievement of the best results by the entire system, and not by one at the expense of the other. The creation of the Sporttovary and Mebel' wholesale and retail associations made it possible to devote more attention to the development of the material and technical base of wholesale trade in these goods, which practically did not exist. In 1978 at the Sporttovary wholesale and retail associations the profitability was 1.31 percent higher with respect to the turnover than at sporting goods trade organizations, while the level of commodity stocks was 32 days less. The great efficiency of wholesale and retail associations will make it possible to enhance at them the role of economic levers and stimuli on the basis of the formation of such economic stimulation funds as the material incentive fund, the fund for sociocultural measures and housing construction, the fund for the development of the association according to the stable standards which are approved in different amounts by years of the five-year plan, as is stipulated in the decree of the CPSU Central Committee and the USSR Council of Ministers, "On the Improvement of Planning and the Intensification of the Influence of the Economic Mechanism on the Increase of Production Efficiency and Work Quality." The development of all the indicated funds and especially the fund for housing construction would make it possible to consolidate considerably "the social rear units of service" and to increase the concern about the workers of the marketing sphere, which would be recovered both by the increase of service quality and by the efficiency of the operation of the sector. In our opinion, it is necessary to allow trade organizations

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also to use for the formation of these funds the amounts exacted from the suppliers of poor quality goods. This would enhance the stimulation of trade workers and serve the further increase of the quality of the consumer goods being produced.

The analysis of the cited data make it possible to outline the optimum ways of introducing the new forms of management. Whereas the development of territorial associations is the main direction of the introduction of the new forms of management in trade in foodstuffs, the organization of commodity-sector wholesale and retail associations yields the greatest economic impact in trade in industrial goods and fruits and vegetables.

The associations in nonfood trade are set up, as a rule, for the sale of individual groups of goods. This creates some difficulties in the rational specialization of the trade network. The Obuv', Odezhda and other stores have a comparatively large service zone, their organization on the basis of existing enterprises limits the possibility of selling other goods, which leads to a decrease of service quality. Therefore, the experience of Moscow and Leningrad in organizing associations with a complete assortment of goods--Children's Goods, Household Goods and so on--is, in our opinion, promising. The stores with a complete assortment of goods have a considerably smaller service zone, which ensures the saving of time by consumers.

Practice shows that mistakes can be made when forming the structures of management, determining the variety of consumer goods, standardizing and specializing the service networks, recruiting personnel and so on. Only the comprehensive solution of these problems makes it possible to improve the quality of consumer service. The development of large nonfood associations, for example, in Kostroma did not yield the proper economic impact. In 1978 their profitability was even lower than in nonfood trade organizations. This is explained by the fact that when organizing such associations the integrity of the system is not achieved, since dissimilar enterprises of a different commodity specialization are united. It is not possible, as the experience of concentrating the activity of local trade organizations attests, to achieve the goals of socialization only by the consolidation of organizations, without the radical reorganization of their commercial activity and a developed specialized network. Thus, in order to socialize the marketing of items of personal consumption the appropriate preparatory work is necessary, especially in the development of the material and technical base of trade and the increase of the level of supply of trade organizations with office equipment. Today, for example, only one-fifth of the stores have telephones, the level of the supply of trade organizations and large enterprises with effective means of duplicating operational information, which becomes obsolete already in the process of movement to the performer, is low.¹ The role of the material base in the development of the management

1. See L. N. Kachalina, "Nauchnaya organizatsiya upravlencheskogo truda" /The Scientific Organization of Management Labor/, Izdatel'stvo "Ekonomika", 1973.

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of trade in similar goods can be demonstrated using the example of the AvtoVAZ Association: owing to the development of modern technical centers this association not only manages the production and sale of its products, but has also organized its service.

Considerable parallelism and duplication in the activity of retail and wholesale organizations are occurring in connection with the inadequate development of the new forms of management. Often consumer goods pass initially through the warehouse unit of wholesale trade, and then through the warehouses of retail trade organizations. In the Belorussian SSR a experiment is being conducted on eliminating these shortcomings. Here ways of improving the commodity supply and eliminating the superfluous links in the management of wholesale trade are being sought. The system of delivering goods to enterprises and the assurance of a stable variety of consumer foods arouse particular interest. The further enhancement of the role of wholesale trade requires the considerable development of its material and technical base, since only large wholesale bases can solve the problems of forming a variety of consumer goods in conformity with the current level of the requirements of the population.

An important stage in the increase of the level of socialization in trade is the organization of combined stores and enterprises made up of urban cost accounting administrations of trade and large local trade organizations. The rational specialization and concentration of the trade network are the material basis of their development.

We have made calculations of the rational proportion of various types of stores in the overall amount of trading areas (food and nonfood; see table on following page).

On the basis of the data of the table it is possible to determine the rational amounts of trading areas of certain combined stores. For the calculation let us used the following formula:

$$S = \frac{H \times d \times S_{1000}}{100}$$

where S is the rational size of the trade floor of the enterprises being combined (in m²); H is the size of the population of the city (in thousands); d is the rational proportion of the area of the given group of specialized stores in the total amount of trading areas of food and nonfood stores; S₁₀₀₀ is the standard of the trading area per 1,000 residents.

For example, the rational proportion of the network of fruit and vegetable stores in the total network of food enterprises is 3-5 percent. The specialization of fruit and vegetable stores ensures the greatest impact of the use of fixed capital precisely in this range. The size of the population of the city is 1 million residents, the standard of the trading area for foodstuffs is equal to 80 m² per 1,000 residents. Let us calculate the rational size of the trading area of the fruit and vegetable stores being combined:

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$$S = \frac{1000 \times (3 - 5) \times 80}{100} = 2,400-4,000 \text{ m}^2,$$

which will make it possible to determine not only the optimum size of the trading area of the enterprises being combined, but also the optimum limits of the organization of the network of firm stores as a component of the specialized trade network. The further development of the network of firm stores is stipulated in the decree of the CPSU Central Committee and the USSR Council of Ministers, "On the Improvement of Planning and the Intensification of the Influence of the Economic Mechanism on the Increase of Production Efficiency and Work Quality."

Dependence of the Efficiency of the Use of Trading Areas of Specialized Stores on Their Proportion in the Total Amount of Trading Areas

Commodity Specialization of the Stores	Proportion of trading areas in total amount of trading area respectively of the food and non-food network (percent)									
	up to 0.5	0.5-1.0	1.0-1.5	1.5-2.0	2.0-3.0	3.0-5.0	5.0-8.0	8.0-10.0	10.0-13.0	
	Commodity turnover per 1 m ² of trading area in fourth quarter of 1975 (thousands of rubles)									
Fish.	0.52	1.49	1.31			1.03				
Fruit and vegetable . .					0.91	0.94	0.97	0.92		
Bread and confectionary					1.03	1.36	1.10	1.00	0.94	
Fabrics		1.37	1.84	2.27	1.64	1.93	1.20	0.85		
Footwear.				1.90	2.26	1.87	1.39			
Clothing.					3.61	0.83	1.53	1.65	1.70	
Household goods					1.18	1.57	1.01	0.89	0.97	
Cultural goods.		1.67	1.27	1.83	1.98	1.75	1.31			
Detskiy mir department stores.					1.84		3.22	1.61	0.78	

At present various ministries and departments have already opened about 650 firm stores. However, for the present there are great difficulties in their organization. The supply of firm stores is one of the main problems. The production associations have been deprived of the right to supply their own firm stores, as a result of which at other firms stores all the products of their enterprises are not represented. The elaboration of special standards of the proportion of the sale of products of production associations through their network is necessary for the more effective operation of firm stores. This will make it possible to stabilize the sale of goods at them and to make these stores helpers in the study of the needs of the national economy.

The concentration of trade, which ensures the further socialization of the final phase of commodity circulation, is an effective direction of the development of trade service. At present in economic literature much attention

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is being devoted to the development of department stores. However, the saving of time for the population when purchasing goods is achieved only with comprehensive shopping at department stores, the expenditures of time on the purchase of some goods increase threefold as compared with their purchase at specialized stores which are distributed uniformly over the territory of cities. Therefore, it is advisable to carry out the development of the service network by using the optimum criterion of its specialization and concentration. In particular, studies show that the proportion of department stores should be from one-fourth to one-third of the total trading area of industrial goods stores. This is approximately threefold greater than the existing level.

The forms of the specialization and concentration of the networks of trade service predetermine the systems of their location. The prevailing functional system of location makes only the most general recommendations on the distribution of trade enterprises in urban development. As a result, from 50 to 70 percent of the entire trade network in cities with a different size of population is located in practice unsystematically. To be sure, the functional system of the location of the trade network played a progressive role. The concept "the store in a residential development," which embraces not only the territories of the microrayon, but also the territories between main roads, appeared. Great importance began to be attached to the location of stores near the stops of public transportation and to a number of other things. At the same time shortcomings of the indicated system were detected. The developers proceeded from the principle: the saving of time is not of decisive importance for going to urban stores. This led to the violation of the territorial principle of the location of the urban trade network, which significantly decreased the provision of new rayons with stores. For example, when building the residential rayon of Orekhovo-Borisovo in Moscow threefold more food stores and half as many industrial goods stores were planned even as compared with the prevailing standards of the development of the trade network.

The increase of the density of settlement and the steady growth of the provision with a trade network are making it possible today to approach its location in a completely different way, with allowance for the increasing mobility of the population and the increase of the provision of the population with public and private transportation. Therefore, at the present stage there is a need for the elaboration of a new concept of their location, which would conform to the greatest extent to the requirements of the autonomy of the supply of all residential rayons with consumer goods, the saving of time for consumers, the concentration and specialization of trade. The maximum provision of a wide variety of consumer goods to each residential rayon regardless of its distance from the center of the city; the consideration of the territorial, transportation and variety factors when locating new stores; the complex location of the trade network, which combines its universalization and specialization; the assurance of the constant conformity of the trade network to the needs of the population in specific cities and urban agglomerations, should become the general principles of the location of trade enterprises. The calculations made by us showed that a

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virtually complete set of all the main department and specialized stores can be represented in every residential rayon (see the table).

Approximate Size of the Population Served by Typical Specialized Stores
(thousands of people)

Commodity Specialization of Stores	Trading areas of stores (m ²)				
	250	400	650	1000	1500
Fruit and vegetable.	40-120	60-160			
Bread and confectionary. . . .	40-60	60-100			
Fish	200-300	300-500			
Wine and fruits.	100-160	170-250			
Children's goods			30-40	45-60	65-90
Women's goods }			25-30	40-50	55-75
Men's goods }					
Household goods.	20-30	30-50	50-80	80-120	120-180
Cultural goods	65-100	100-150	160-250	250-400	
Sports and tourism	65-100	100-150	160-250	250-400	400-600
Radio goods.	200-300	300-500	over 500		
Furniture.		20-25	50-65	80-100	120-140
Commission stores.	40-60	60-100			

The cited data make it possible to conclude that the organization of all types of specialized stores in each city and major built-up rayon with a population of 60,000 or more is possible; in major cities the bulk of the specialized stores should completely meet the needs of each rayon of the city and guarantee a high quality of service of its residents.

It is necessary to coordinate the further planning of the development of the material base of services with the planning of the development and location of the productive forces in new rayons and the territorial production complexes contained in them, here it is necessary to develop immediately the sphere of consumption, which ensures the high quality rating of the labor inputs of the workers of all the sectors of the national economy. The decree of the USSR Council of Ministers, "On the Improvement of Trade and Public Dining in the Country" (1965), calls for the revision of the plans of the development of cities in combination with the plans of the development of services. At present the elaboration of such indicators for entire regions, in which new territorial production complexes are being developed, is expedient.

At present the population of the country spends about 41 billion hours a year on the purchasing of goods and the use of services. The expenditures of time, which are connected with service, will increase in the future. Studies have shown that a twofold increase of the income of the population causes approximately a 1.4-fold increase of the expenditures of time on purchasing goods. With the steady increase of the expenditures of time by the population in the services the consumers are making special demands on

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the reduction of the expenditures of time on looking for the necessary variety of goods and services and on the quality of service.

The planning of the development of the main directions of scientific and technical progress is the main direction of the reduction of the expenditures of time by consumers and the increase of the quality of consumer service. Thus, owing to the planning of the development of self-service the proportion of the turnover of self-service stores in state trade of the country in the fourth quarter of 1978 reached 44.5 percent, including the turnover of general-purpose food stores--59.6 percent in the turnover of the corresponding stores, bread and confectionary stores--79.5 percent, fruit and vegetable--61 percent, nonfood stores--64 percent, departments stores--81.4 percent, household goods--72.5 percent, shoe--82.5 percent and so on.

The constantly increasing demands on service quality require another look at the questions of the efficiency of the stores using the advanced forms of trade. The appearance of the first type of intensive reproduction is typical of them. The second type of intensive reproduction, which is characterized by an increase not only of labor productivity, but also of the efficiency of the use of trading areas, is typical only of some groups of enterprises. This is explained by the fact that a higher efficiency of the use of the trading areas in stores of the conventional type is achieved by a rise in the density of the flow of consumers and an increase in their expenditures of time on waiting in lines and selecting goods. The development of self-service stores from the very start of their creation required that the intensity of the flow of buyers would not exceed certain values, in excess of which the organization of its operation would be upset. However, in this case the conditions are created for the gradual reduction of the inputs of living labor in trade and its greater and greater replacement by embodied labor.

The further improvement of the level of trade service requires the increase of the output of packaged goods. Estimates show that the raising of the packaging of consumer goods to 70-100 percent (excluding the proportion of goods which will be sold through the network of public dining enterprises and taking into account the peculiarities of the sale of meats and several other goods) in the future will provide an annual saving equal to almost 1 billion rubles. At present a considerable number of workers are being diverted for the packaging of goods. In the retail network of the capital alone about 5,000 people are employed in packaging. This is more than the total number of workers employed at the department stores of the city. The packaging equipment even at large enterprises is being used at one-third the capacity. All this attests to the need for the greater and greater delegation of these functions to industry and large-scale bases. The development of the delivery of goods in containers is an important and promising direction of the reduction of the inputs of living labor, the maintenance of the quality of goods and the increase of the level of consumer service.

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MANPOWER: LABOR, EDUCATION, DEMOGRAPHY

NEW BOOK REVIEWS DEMOGRAPHIC POLICY GENERALLY, IN KAZAKHSTAN

Alma-Ata IZVESTIYA AKADEMII NAUK KAZAKHSKOY SSR. SERIYA
OBSHCHESTVENNYKH NAUK in Russian No 3, May-Jun 79, pp 91-92

[Review by A. Galiyev of the book "Razvitiye Narodonaseleniya i Demograficheskaya Politika (Sotsial'no-Filosofskiye Aspekty Sistemnogo Izucheniya i Kompleksnoy Razrabotki)" (The Development of Population and Demographic Policy [Social Philosophical Aspects of Systems Study and Comprehensive Development]) by M. B. Tatimov, Nauka, Alma-Ata, 1972]

[Text] In the Accountability Report to the 25th CPSU Congress General Secretary of the CPSU Central Committee Comrade L. I. Brezhnev noted the need to work out an effective demographic policy as an important challenge for the social sciences.*

The Communist Party has always considered and correctly applied domestic experience and the experience of the socialist countries in resolving demographic problems. This experience was used successfully during the development of the virgin land. It was summarized and the main principles of demographic policy in a socialist society were formulated in L. I. Brezhnev's book "Tselina."** Attention to population problems is demanded by the practical need for rational disposition of labor resources and maximally complete use and replacement of manpower.

The book under review is dedicated to one of the areas of demographic research, problems of controlling demographic processes. Its consideration of demographic processes by stages with due regard for the various economic, social, and historical factors is a very good feature.

The author used the systems approach in his consideration of the problem of population development. He gives a satisfying explanation of the

* "Materialy XXV S"yezda KPSS" [Materials of the 25th CPSU Congress], Moscow, 1977, p 73.

** Brazhnev, L. I., "Tselina" [Virgin Land], Moscow, 1978, p 35.

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demographic situation in its regional and ethnic aspects and observes that these differences reflect various stages in the demographic development of the peoples of the USSR conditioned by their initial socioeconomic condition.

The book considers demographic policy as a constituent part of the socioeconomic policy of the Soviet socialist state.

The interpretation of the principles of Soviet demographic policy given in the book deserves attention. The book reveals the essential humanism of this policy whose goal is not just achieving optimal reproduction of manpower but also maximum satisfaction of the material and nonmaterial needs of the members of a developed socialistic society. Social psychological and moral factors are taken into account in work on the problem.

The book gives adequate attention to summarizing the historical experience of demographic development of the peoples of the USSR, including the peoples who went through the stage of capitalism. Using the principle of historical stages the author discloses the causes of differences in the birth rate by regions and ethnic groups in our country. On this level, he gives a good explanation of the demographic situation in our republic as transitional from the past to modern times.

In his analysis of the demographic development of the population of Kazakhstan the author attempts a demographic forecast. The book also advances the hypothesis of methods of possible redistribution of labor resources from regions of the Central Asian republics with labor surpluses (in the next 10-20 years) to sparsely settled but economically promising regions of Kazakhstan. However, this hypothesis needs concrete detailization and more thorough development, especially because many students of the problem of labor resources are inclined to exaggerate the consequences of a negative migration balance in Kazakhstan.

In general the book, the result of the author's useful scientific studies, deserves praise and may be used as a methodological aid in further work on the concrete measures of demographic policy of a developed socialist society.

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